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Feb. 3, 2010

*Date▲***MANAGEMENT DISCUSSION SECTION****Daniel Eggers, Analyst, Credit Suisse**

Hi guys, we're going to keep moving. It's my pleasure now to introduce Exelon. With us today, Bill Von Hoene, who kind of does almost everything on the Professional Services side of the company, as far as I can tell. With him also, Chaka Patterson, and then somebody from the Power Team, who I just have the pleasure of meeting. So there you go.

I'll turn it over to Bill.

William A. Von Hoene, Jr., Executive Vice President, Finance and Legal, Exelon Corporation

Thanks very much, Dan. Good morning, Dan. Thank you very much. It's really a pleasure to be here at your terrific conference. Chaka is our Treasurer, who Dan introduced; and Andy Swaminathan is our Director of Power Market Fundamentals at Power Team. Also here with us today are Karie Anderson, our Vice President of Investor Relations; and Paul Mountain, our Manager of Investor Relations. And thanks to you both for all the work you've done in putting this together.

It's terrific to be here. Thank you very much. I have seen a few of you at EEI and even a couple of you since, but there has been some passage of time. So what I'm going to try to do is update you a little bit today on our major initiatives and on our outlook for 2010, and then talk also very briefly about a couple of subjects that are near and dear to the hearts of our investors and that's Midwest power prices, and carbon and EPA regulation.

I started in my former capacity as a lawyer to introduce the forward-looking statements slide, and then turn next to a slide that, I think, all of you have seen many times that have been either in the Exelon family or interested in Exelon. That's our protect and grow strategy document, which continues to be the foundation of our strategic focus. We think it's extremely important in this day and age with these trying economic times and challenging power markets to be versatile in our tactics, in our approaches.

But if you look at this slide and distill it down, there are four common elements that we see as the strategic fabric of our company: that we analyze all decisions in the context of shareholder value; that we operate our businesses at world-class levels to develop the building blocks for our growth platform; that we rigorously evaluate new opportunities to grow long-term value; and that we maintain a strong financial status to weather the economy when it is bad and to seize opportunities when they are available.

Translating that framework into what happened in 2009, and I'll spend a few minutes on it. We had another year of really outstanding performance in our company. We had a 93.6 capacity factor at our nuclear plants, which is world class, we had a dramatic improvement in our ROE at ComEd. We had terrific legislative and regulatory relationship advancements, exemplified by the uncollectible rider at ComEd, which just this past week received unanimous ICC approval. PECO's work on its Act 129 Plan, which includes one of the nation's leading energy efficiency programs. We also announced the permanent retirements of the Cromby and Eddystone Units 1 and 2 in early December, which shows our financial discipline and supports our goal of advancing competitive markets, and I'll talk more about that in a minute.

On the growth side of our strategy, we are progressing on our \$4 billion nuclear uprate program to install close to 1500 megawatts between now and 2017. We added 70 new megawatts in 2009 and we have 50 megawatts of addition scheduled for 2010. We've integrated those uprates into our

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long-term asset management plan. PECO was selected as one of half dozen utilities to receive \$200 million smart grid awards and is currently negotiating those highlights. And of course, we continue to pursue in the growth strategy, the opportunities that carbon or EPA legislation will prevent – will present.

So what I want to do briefly before talking about the future is just go through a few of the highlights of how the company has operated and my theme here will be the linchpin of protecting and that is operational excellence. You have seen our – on the left side of this chart, we have a new configuration for you to demonstrate the nuclear excellence. You've seen our capacity factor charts for a number of years, and the last one that you saw at EEI showed what our historical rates have been and the band of the capacity rates, which is higher than our competitors and narrower than our competitors and that continues to be a real fundamental building block for our company. What we have listed here, we don't have the year end results for capacity factors for the other companies, so we haven't updated that chart.

But we thought we'd give you a little different look at our nuclear skills and here we have listed the longest, continuous U.S. nuclear unit runs in history. 16 of the 30 longest are Exelon units. The next Abxiss III and FirstEnergy. And while we have 20% of the nuclear capacity, we have over 50% of the longest runs. Of course, one of the key factors in assessing nuclear performance is also the duration of outages and we continue to outperform our competitors in that regard as well averaging 24 outages a day versus 40, 24 days of outage versus 40. And, what we have tried to demonstrate here in another way, as I said, is how our nuclear performance continues to be at the top of its game. This is a testament to our management model, which is also unique in the industry. It is a set of processes and standard operations by which we operate our 17 units. The consistency that we get as a result of that allows us to minimize cost and allows Power Team to execute on its hedging program with a high degree of confidence.

We have formed a separate division within Exelon Generation, which we call Exelon Nuclear Partners with the object of commercial – of commercializing the management model and using it to our own commercial benefit throughout the world.

Our generation company, if you look at the right side has taken the management model and incorporated it and customized it to its operations and the results are as you might expect with a model that has performed so well in nuclear. As you see here, the commercial availability of our power fleet and the hydro availability are at their five-year highs.

I want to take a minute at this point to talk about in the context of the generation company. Our decision to retire Cromby Station's Units 1 and 2 and Eddystone 1 and 2. These represent, as you know from our prior announcements, 732 megawatts of intermediate coal and 201 megawatts of oil and natural gas capacity in Southeastern Pennsylvania.

We were driven in making this decision by the current and projected market conditions. It's consistent with our protect goal of advancing competitive markets. Our analysis indicates to us that by retiring these units we will create a 165 to \$200 million of positive net value for our shareholders versus the base case of continuing to operate them. We have scheduled a retirement of May, 2011. PJM has given us a preliminary analysis, in which they've identified some potential reliability impacts, if we retire all four at that date. We're in the process of going through that analysis with PJM, which will be finalized in early March to the extent that PJM requires for reliability reasons, the extension of the operations of these. So transmission enhancements can be made, we will be compensated for doing that. So it does not affect the economics of that decision.

I do want to use Eddystone and Cromby, however, as a jumping off point for some other parts of what we are thinking now. They're very, very important in our business. And in a way, as a forecast to what is happening in the world of carbon and the world of coal. We have spent a great deal of

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time in the last couple of years focusing on carbon legislation, as you know, and devoted a tremendous amount of our management energy to that.

We have been very transparent with you about the benefits that we would receive from carbon legislation. And we've actually quantified it in our various securities filings and in our presentations to you. There is no doubt that a cap and trade system would be of enormous benefit to Exelon, it would reward Exelon for the carbon free efficient generation that is the hallmark of its operations. And it is – it would be a terrific plus for our investors.

We also can, all agree, I think that the passage of the carbon legislation is probably at least for the immediate future, more challenged than it was when we talked back at EEI. The legislation is not dead and the State of the Union address, indeed, gave it a very high priority from the President's standpoint. And we know and we are working closely with Senators Graham, and Kerry, and Lieberman to try to reach an accommodation with other Senators that could bring that home in this session.

But we also need to think about, obviously, what happens if it does not happen in 2010, and we get through to the elections. And we do believe that EPA regulation and the emerging indications that we are getting from the Environmental Protection Agency will provide a very substantial uptick to our low emission nuclear fleet. And we are well-positioned, and indeed, better positioned than anyone to take advantage of what the EPA is going to do over the course of the next 18 months.

We all know that the EPA's endangerment finding earlier this year is the entree to direct Greenhouse Gas Regulation and Emission Regulation. And as Dan and many of his counterparts has subsequently recognized with the report that he did last December, and other reports in January, this can be a – it can have an impact on the coal generation that will be just as profound, if not more profound, than what the legislation would do that is being currently contemplated in Congress.

But we also think it's important to note and recognize that this is not as clean as the legislation. The calculations that we could make about legislation in the cost of carbon, we can't readily make about the EPA regulations, because they are not fully mature yet. We don't know what their reach will be with precision. We don't know exactly their timing.

But we also think it's very important to recognize this, that greenhouse gas emission regulation by the EPA is but one of many, many tools that the EPA has indicated it will deploy in its attack on carbon and on inefficient coal generation. So with an eye on carbon, the attack may come from different angles with easier less controversial standards.

We envision and it's consistent with what we hear from all of the analysts that between five and a dozen major environmental rules will be promulgated by the EPA in the next 18 months. NOx, SOx, coal ash, mercury, all of these pieces that will contribute to putting pressure on the marginal coal units that are particularly located within PJM. We look as an example at ash at CCB regulation, which we anticipate coming in the near future. If ash is designated, coal ash is designated as a hazardous material, which we almost certainly believe it will be and no one has any serious doubts with that determination in terms of their speculation, EPRI estimates that 12 to 19% of coal, and PJM will be at risk as a result of that determination.

Dan models large numbers of large percentages of 500 megawatt plants, retiring over the course of this decade. Other people who are doing assessments have said, as much as 20,000 megawatts are at risk, just from the dry – wet to dry ash conversion that is likely to come from the coal finding. We gave you a number at EEI, as a benchmark, where we computed what plants will be vulnerable with the standard being 350 megawatts or less unscrubbed and using Eastern coal only. That was 8,300 megawatts in PJM alone and it appears, if you line that up against what other people have looked at in terms of the coal vulnerability that we were very conservative.

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It should also be noted that the EPA has tremendous resolve on this. Lisa Jackson, in her acceptance speech and every place she speaks, talks about the regulation of air emissions, talks about carbon and they have put their dollars where their mouths are. The EPA 2010 budget is 40% higher than the 2009 budget. And that is directly linked to the urgency and the degree of intensity with which they intend to regulate in these areas.

So we look at this and we say to you, we can't yet model what the impact is going to be on Exelon. We can't tell with precision, the timing. But the direction of the impact and the package of the impact is unmistakable in these regulations. Our peak – on-peak prices will go up, as will capacity prices and as a low-cost generator, we will be beneficiary in a very major way.

The other thing I want to comment on in terms of the EPA regulation is this. There are a number of folks who are projecting that two things will delay the impact of this on coal generation, one of them being the duration of regulation. How long it takes to get things into effect? And second, litigation to contest some of the regulations.

On the litigation front, having been a practicing lawyer for many years as I handicap this, and most people do, litigation certainly will occur, but it is very unlikely to be of the nature that it stops the implementation of the regulations. That's not what we see is going to happen. And on the timing of the regulations becoming effective, we think that a lot of coal generators are going to look at their fleets just in the way that we've looked at Eddystone and Cromby, and say, this is what is on the horizon. These are the capital expenses that we're going to have to incur in order to run our plants in the future. Does it make sense to make the capital investments now that we're being required to make to continue to operate? In other words, the impact of the regulations will not be concurrent with their effective dates. It will be concurrent with the realization of what that impact will be.

So with that digression on a topic that I know is very important to you, I do want to turn back and talk about our operations in our T&D businesses.

Turning first to ComEd, a couple of years ago, as I know, all of you will recall, and some painfully, who have been our shareholders. ComEd struggled to achieve a 5.5% earned return. In 2009, it achieved 8.5% and as a business plan, in 2010, to achieve at least 10%. That 10% will be facilitated by the uncollectible rider that the Illinois Commerce Commission has recently approved, by what we believe will be improvements from an unprecedented weather year, by a highly effective O&M savings plan and by a very substantial inroads in bad debt expense.

ComEd has developed a smart meter program. That I think you're familiar with. We have 50,000 meters and now we'll have 130,000 meters in by the summer. It's a pilot program that will give us the opportunity to go to the ICC with complete rider recovery by the way, not rate case based recovery, and look at what expansion is possible in this area as well, in terms of the rate base for the utility. And we've done all of this, and all of these things without sacrificing reliability in ComEd. This was our best year ever in terms of reliability – in reliability performance.

We've announced that we intend to file a rate case in ComEd sometime in 2009. That is an 11 month process to get to the completion. So when that happens that would become effective 11 month thereafter. But I think it's also important to recognize in that, how well ComEd has thought outside the box, because between the riders that we've been able to achieve, the legislative advancements in that regard, the cost cutting we were able to avoid, a rate case this past year, and you know, some of the results in the past year and those who went into successive years have been challenged by the economy, and our management has enabled us to start doing that.

And finally, I would say on the ComEd front, as I'm sure most of you know, we were reasonably upgraded by Fitch to senior secured ratings last month to BBB+. In addition to reflecting the health

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of the company, it has a very substantial impact on the availability of commercial paper, and we continue to see ComEd as a vibrant and increasingly vibrant part of our business.

I turn to PECO for just a minute. PECO is targeting an earned ROE of approximately 11% in 2010. And this of course, is the last year before it transitions to a fully deregulated market. PECO will file both electric and gas distribution cases in this spring. The lifespan of those cases are a little shorter than in ComEd; those are nine months. So we would expect to file those in time so that the impact would be felt January 1, 2011.

As I mentioned earlier, PECO has received \$200 million in smart grid money. We were negotiating the final terms of which from the Department of Energy, which will allow it to not only comply with Pennsylvania law to install – put smart meters with all of its customers in a 15-year period, but to do so on an accelerated basis that enhances rate base and return, and again with a rider mechanism for the recovery.

And finally, what I would note with regard to PECO is it will compete – complete [inaudible] and we believe successfully, the actions that are necessary to fully serve its customers in 2011 through two additional RFPs in May and September, and I'll go over that calendar in a minute.

In short, if you look at the operations of our company, we are on all cylinders and we believe we have delivered extraordinary performance in 2009 and are positioned to do precisely the same as we go forward.

Let me now turn very briefly to growth strategy and the things that we're looking at, and this too is a chart that is familiar to those of you who have followed us. I want to start by emphasizing. We don't believe, nor do we try to sell to you that there are any magic wands, that there are any single needle movers in what we see, that we – but that does not mean that we are entirely captive to nor should we be nor should you expect us to be captive to the dull in the economy that we are all experiencing.

We realized that we have to build growth in these circumstances one brick at a time, and that we cannot sit on our hands. We have to have a program to provide growth that is built from the operational and financial strength that we have available to us and that we've worked so hard to maintain. And the programs that you see here are examples of exactly how we have done that.

I've already touched very briefly on the nuclear uprates and the smart grid and the environmental pieces of this. Just a quick word on the transmission. As you know, the SMART Study in which we're participating in will be completed in March. We think it's going to be a big improvement on the Green Power Express study that was generated earlier this year.

And we hope that it will be the beginning of a roadmap for some of the kinds of things that our transmission company will be involved in. And we are looking in transmission comprehensively at opportunities. It is a future business investment for you that we are doing at a modest cost to try to be well positioned as markets develop.

So let me turn with that to the last piece of this that is on our growth chart in terms of our menu of things that we can control that are outside the economic constraints. And as we begin to look at price recovery in the Midwest, that's where a number of the concerns have turned. At EEI, we outlined for you our view that we saw about three to \$6 a megawatt hour of upside over NI Hub prices, partially due to more wind implied in the prices than will exist and other factors.

Since then, we have started to see an expansion in market implied heat rates, which supports our view. And the left side of the page shows this trend. We also have identified at the time in EEI, the basis spread between NI Hub and AEP-Dayton Hub as being evidence of our view that there was money to be made in NI Hub that is not currently realized in our prices.

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And since we have come to you at EEI, we likewise have seen a reduction in the NI Hub-ADHub spread on the forward curve. It was at the time these slides were generated, about 6.50 a megawatt hour, way down from where it had been last year at up to \$12 at points in time. It's, now as I understand from Andy, down to \$4 in some ways if we look at the vantage point.

So we believe that the programs that we've talked about looking at market congestion, the maturity of the liquidity in the market, looking at some of the pieces of this in terms of demand recovery are all things that support not only the fact that we have narrowed this gap and we see indicia of price recovery in the Midwest, but that there is more to mine here than what has been mine currently. The easy shorthand, of course, is that since the end of September, the natural gas prices for '011 through '013 – and you can pick this up in our hedging disclosures – have fallen by about \$0.45 in MMBtu, while the NI Hub power prices have increased by about 50% – \$0.50.

We continue to believe that the forward gas curve is fairly priced. So holding gas and coal constant, we expect additional improvement in NI Hub given the heat rate expansion and the continued improvement in the economy. The implication for Exelon is immense. For every \$5 of megawatt hour increase in the NI Hub around the clock prices, gross margin increases \$275 million in 2012. So it is a big ticket item upon which we are intensely focused.

The last thing I want to cover here very briefly is to give you a preview of what's happening in 2010 and some of the events you can expect us to comment on and that we welcome your questions on as the year unfolds as well as today. As I said, we have three distribution rate case filings. The PJM, RPM capacity auction – 13, 14, of course, will be held in May. And that will include, we believe [inaudible] and it will reflect the impacts of the real change for demand response as well as FirstEnergy's approved entry into PJM.

Some of you, I know, have worked at the PJM disclosures that were made, announcements were made a couple of days ago, get previews of pieces that will go into the auction and you'll all be noodling this and some of the noodling that has come out already on this indicates that there is a positive picture that will come out of this, again, early to quantify, but we believe directionally, given demand, given the changes in the rules, given what we have found about it that we will have a much better story to tell on that front than we had to tell last year at the same time.

And, of course, we have the procurement events that I referenced as well as the usual array of electoral pieces, some of which occurred last night in Illinois, the results of which are largely inconclusive in the major races, and some of which will occur in Pennsylvania.

I would only say on the electoral front, if you look at the political climate for our companies from a couple of years ago versus the political climate now, we have made extraordinary, extraordinary progress in solidifying the relationships with the stakeholders who have so much to do with our well being on a legislative and a regulated front.

I want to close with just a couple of thoughts and then we'll have a couple of minutes, I think, for questions. Our industry, of course, is facing enormous challenges that are not new and I believe and I hope that we have been able to tell a story to you that we have shown an ability to manage like no one else through the basics in these tough times. We have given earnings consistently within guidance. We have flawlessly executed cost containment. We have had unprecedented performance. We have an extraordinary balance sheet, and indeed we get rating upgrades in a time of economic despair.

And as we see it, Exelon stands not only best to weather those storms to the degree that it takes some time to get out of them, but to recover from – nicely and more handsomely than our competitors from almost any long-term trend affecting our industry. As customer demand recovers, as natural gas and coal prices recover, as reserve margins tighten, and as the EPA moves forward

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with its monumental initiatives in connection with the regulation of air pollution and particulates, we stand to benefit handsomely.

And our promise to you is simply this. We will watch the store; we will be opportunistic, but disciplined; we will relentlessly pursue the bricks with which to build the wall of growth; and we will deliver value.

Thank you very much, and thank you, Dan. And we're available for any questions you might have in the amount of time that's left.

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<Q>: Yes. Could you maybe discuss a little bit the 200 million that you're going to get for smart grid? How are you going to deploy that? What are you looking to do? How is the system going to be better once that is deployed?

<A – William Von Hoene, Jr.>: Sure. The – first is a predicate to answering your question, we haven't got the money yet. It's been awarded, but we're negotiating the terms, and all of the other utilities who received it are similarly negotiating the terms. So that's being executed with DOE and the timing table of that is dependent upon finishing that up. Essentially, a large part of the 200 million goes to accelerating – for us, will go to accelerating the smart meter implementation of the program that we're required to do under Pennsylvania law.

We have a 15-year period in which we have to install, if you look at our current customer base, about 1.6 million smart meters in our service territory. If we have the 200 million, we will accelerate that, we'll put in about 600,000 of those in the first three years, because we have to spend the 200 million in that three-year period. And then we'll get that project completed over a 10-year period. If we were not to get the smart – that money for some reason, that stimulus money, we would have done that pro rata over the 15 years. So, it accelerates that.

Part of that money that bills that up, that is stimulus money, does not go into our rate base, but the part that we are contributing to that does go into the rate base and does enhance the rate base in terms of that contribution. So, it gives us that piece of it. Other parts of the money will go to enhancements of other components of our smart system. And we look at a whole variety of ways in which we can do – we can make those enhancements and we work hand in glove with the Department of Energy in connection with that.

The major advantages to us beside being able to build rate base in a way that we will recover outside of rate cases, because we have special dispensation under the legislative apparatus to do that is we will have a connection with customers in terms of outages, in terms of the ability to deal with delinquencies, in terms of responsiveness that will give us, what we believe, are some significant operational advantages over the current system where we are far more removed from the customers.

So, obviously, the balances that are in place here that any utility have to look at is are we going to have a reduction in consumption of energy, what other pieces are going to be important, that of course is just a pass-through for the utility, but it's a piece that's relevant to the rest of the business. But are there going to be other efficiencies in addition to building the rate base where we can take advantage of being operationally more efficient, get a higher return on our investment, do things in a more efficient way, and that's the objective. And the smart grid money allows us to accelerate what the legislation is asking us to do on that front.

<Q>: [inaudible]?

<A – William Von Hoene, Jr.>: No, the part of – and this part of the smart meter piece, as it develops and it is very much in every utility a work in progress, will be figuring out what is the right amount of customer choice in terms of demand management that can be incorporated into it. I think the one thing about that that I would say that nobody has a clear understanding of yet, and that's why as these programs develop over time, it will be important to see how they are customized, is – what's the consumer appetite to do that.

One of the things we're doing in the ComEd territory with the pilot program is we have it in 10 communities and we've set it up 10 different ways. So some consumers have tremendous flexibility, some customers have limited flexibility. We're looking to learn from that to see what the appetite is.

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And I think what that appetite turns out to be will in large part, dictate, as these programs evolve, ours and the other utilities, what's – what degree of that kind of flexibility will be incorporated into it. We have not discounted that nor have we written in stone that that in its most extreme form will be what we'll do.

<Q – Daniel Eggers>: [inaudible]. Thanks for sharing all the thoughts on the EPA policy. It's certainly a conversation we're all paying a lot of attention to. As you guys look at your kind of timing of implementation impact on the market, when do you start to expect the retirements really to happen? And when could you start to see that shape up either in the capacity markets or in your energy margins on a realistic basis?

<A – William Von Hoene, Jr.>: Yeah. I – Dan, I think on a – to use your term, realistic basis and we try to be realistic all the time. But I think, if we look at this as a practical matter, the big ticket impact of contracting the marketplace of generation, what we think is going to happen ultimately in raising the prices. It's probably not going to be in full force in effect by, for example, 2012, which is the year that people are looking at our earnings and saying what are we going to do there.

2012, we're going to have to address, I think, there will be some impact. I think, there will be some closures under the configuration that I talked about before, meaning seeing the writing on the wall. But that's unlikely to be a big mover at that point in time. But over the course of the remainder of the decade, and not too far after that, particularly as things fall into place this year and we have half a dozen things, I think the momentum on this will be significant.

The other thing we have to recognize is, of course, no, our system will not let these retire precipitously. There will be reliability things just like Cromby and Eddystone what PJM is doing, they will have to be incorporated into the evolution of the retirement that come out of this regulation scheme. So I think, we are looking primarily after the 2012 timeframe for some acceleration and I think that's consistent with your analysis. You have the two scenarios; one being the more accelerated and the one being the more modest in the terms of the pace of it.

<Q – Daniel Eggers>: Do you think – I mean, if you think that in '12, '13 people see the writing on the wall and start to close these plants, does that mean that you guys have a more bullish outlook for the RPM auction this spring? Because if that was the case you'll have to start not submitting that capacity for this auction. So could pricing be better than the consensus 50 to 60 type of number in May?

<A – William Von Hoene, Jr.>: Yeah, I want to let Andy comment on this. But let me just – to the short answer, we are more bullish on the auction this spring, and we think for a variety of reasons, it's going to be better. But Andy, you can elaborate a little bit, if you don't mind, on some of the details of Dan's question.

<A>: Yeah. Very specific to your question, Dan, it is our opinion that in the past auction, '12 and '13 especially, and piggybacking on auction clearing prices on previous years, where '11, '12 cleared at a 110; '10, '11 cleared at a 174, we believe a lot of coal units were just kind of happy collecting that revenue. So, they were not bidding in a full ACR value. So, you're kind of happy collecting that. \$16 is a real – is a reality check. And couple that with \$35 prices in NI-Hub ATC over the next two to three years, something has to give. So, either some of these coal units will preemptively make decisions to say we're out or we believe will come to this auction, the '13, '14 auction with prices much closer to cost, which again would lead to, everything else being equal, more upward pressure in addition to all the other factors which have been highlighted by PJM for RPM prices for '13, '14?

<Q>: Great. I think we ran over time.

<A – William Von Hoene, Jr.>: All right.

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<A – Daniel Eggers>: So thank you guys for coming. We appreciate it.

William A. Von Hoene, Jr., Executive Vice President, Finance and Legal, Exelon Corporation

Thank you so much. We look forward to talking to you informally. Thank you.

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