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Business Update Call

Event Type▲

Mar. 24, 2011

*Date▲***MANAGEMENT DISCUSSION SECTION**

Operator: Good morning. My name is Wes and I will be your conference operator today.

At this time, I would like to welcome everyone to the Exelon Nuclear Update. All lines have been placed on mute to prevent any background noise. After the speakers remarks there will be a question-and-answer session. [Operator Instructions] Thank you.

I will now turn the conference over to Stacie Frank, Vice President of Investor Relations. Please go ahead.

Stacie Frank, Vice President, Investor Relations

Thank you, Wes and good morning everyone. We are pleased you could join us today for our Nuclear Update conference call.

We issued an 8-K this morning with our presentation and this call is being webcast and a replay will be available on Exelon's website at www.ExelonCorp.com. Please also note that our materials and the discussion today do contain forward-looking statements that are subject to various risks and uncertainties and actual results may differ materially.

Participating on today's call are John Rowe, Exelon's Chairman and Chief Executive Officer, Chris Crane, Exelon's President and Chief Operating Officer and Chip Pardee, Chief Operating Officer of Exelon Generation.

We've scheduled 60 minutes for this call. We will begin with some remarks about the events in Japan and the safety of our own units and will leave ample time for your questions on these topics. We ask that you limit your questions to this topic in particular as we will not be addressing other aspect of Exelon's business on this call.

I would like to turn the call over now to John Rowe, Exelon's CEO.

John W. Rowe, Chairman and Chief Executive Officer

Thank you, Stacie. The earthquake, the tsunami and the subsequent reactor breakdowns in Japan have captured the attention of the entire world. Companies like Exelon that are heavily involved in the nuclear industry have been following the situation with the reactors as closely as we can. We have daily conference calls with our nuclear management, we work closely with NEI, we are doing everything we can to understand these events as intimately as possible.

It now appears that the situation at the Fukushima Daiichi Nuclear Power Station has begun to stabilize. But this situation is clearly worse than the 1979 accident at TMI. It has not become as bad as the Chernobyl event, which as you all know, was a very different kind of reactor run under very different kinds of conditions. But it is a very serious event indeed and we at Exelon are treating it accordingly.

We have begun the lesson learned process and the root cause analysis and we are attempting to apply all that we can learn to our own power plants. Thus far, we have seen continued support for nuclear power in the United States, from the White House to the Nuclear Regulatory Commission to the Secretary of Energy to a number of members of Congress.

NRC Chairman Jaczko testified last week that nuclear power in the U.S. remains safe. President Obama reiterated the importance of nuclear power as a continued source of energy but recognized

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as we also do that the crisis like the one in Japan required continued learning. We will work with regulators and with others like INPO to apply the lessons learned from this situation so that nuclear energy continues to be a safe, clean and efficient source of power for the United States.

As you all know, I believe that there is little opening for new nuclear plants in the near future. But that view has come from economics not from safety. I believe that plants in the United States are safe, especially those at Exelon and we continue to give safety number one priority in running our nuclear fleet.

Despite the fact that our plants are not subject to the same earthquake and tsunami risks that have been experienced in Japan and despite the fact that they differ in some other material respects, we have begun focused safety reviews since the event and our reviews to-date continue to assure us that our plants are safe.

Nonetheless, we feel we owe you, our shareholders, our customers, our employees and our neighbors that we continue to ask the question and we do it regularly. Our plants are designed to ensure safety even in severe environmental events and my colleagues can explain to you the processes we have put in place to respond to emergencies not contemplated in the original designs. Chris Crane and Chip Pardee will talk about such things in more detail.

They have been leading an internal team that we developed to monitor the events in Japan in response. Chris serves on the Boards of Directors of the World Nuclear Association, the Nuclear Energy Institute and INPO, which just concluded two days of Board meetings where this topic was the major focus.

Chip Pardee has been working closely with NEI leadership to represent the industry and to coordinate our responses with the Chief Nuclear Officers of our peer companies. I should also say that the Generation Oversight Committee of our Board of Directors met at our Dresden plant and heard reports as of a week ago on the state of plants. Chip Pardee has spent time in Washington, D.C. over the past two weeks briefing Congressional and Senate staffers and legislature. Mike Pacilio, Exelon's Chief Nuclear Officer has stayed at home focused on the continued safe and effective operations of our own nuclear fleet.

While Exelon has more at stake in the proper resolution of these matters than any other U.S. company, our deep bench of industry talent is all the more critical when circumstances like these arise. This allows us to do what we need to do to present a sober, responsible and committed face to the public while also having the crews and talent to focus on keeping our own operations first class while we learn from the events elsewhere.

With that, I will turn the call over to Chris. And then he will turn it to Chip.

Christopher M. Crane, President and Chief Operating Officer; President, Exelon Generation

Thank you, John, and good morning to everybody. As John indicated, we are seeing signs of stabilization emerge from Fukushima Daiichi Power Station.

I'm going to spend a few minutes updating on what we know to at this point and discuss several safety features in place at our own units. Although it's too early to say with absolute certainty, all the signs at this point indicate that the units at the Daiichi Plant responded as expected to the earthquake itself. Unit 1, 2 and 3 shut down immediately. Units 4, 5 and 6 were already in cold shutdown for planned refueling outages.

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The maximum seismic acceleration was 0.517 G's measured at Unit 3, which exceeded their original design basis value of 0.458 G's. The plant had a sea wall built to withstand a tsunami of 5.7 meters but the tsunami was greater than 10 meters.

I'll footnote these numbers; they continue to be adjusted by TEPCO and the Japanese government. So we are rounding right now but they're still directionally correct. As a result of the tsunami, the above ground fuel oil tanks for the emergency diesel generators were washed away and the switchgear in various buildings were flooded, leading to a loss of all backup generation at the plant that is critical to continue to cool the reactor core and pump water into the spent fuel pools to maintain coverage of the fuel rods and control temperatures which will avoid release of radiation.

In the U.S., we have specific operating procedures to respond if power was lost at our plants, which I'll address in a few minutes. The work to recover the external AC powers from Units 1, 2, 3 and 4 at Fukushima Power Station is in progress. At Unit 1 and 3, power has been restored to the control rooms. At Unit 1 and 2, the pumps for the cooling covering, excuse me, at Unit 1 and 2, the pumps for cooling were covered by seawater and maintenance work is necessary to repair those components before returning to service.

The reactor vessels and the containments at Unit 1, 2 and 3 are stable, under control and have we believe experienced fuel damage in the cores at differing degrees. Units 5 and 6 are stable and being maintained and monitored and are being cooled by normal cooling systems, however, the pumps for the residual heat removal were automatically stopped when power supplies were switched over.

Units 2, 3 and 4 spent fuel pools are being cooled by seawater. Unit 3 and 4 have been damaged due to hydrogen explosions during their containment venting process as well as uncovering the spent fuel. Seawater injection into the spent fuel pool via – of Unit 3 via the cooling purification line has started. The injection of seawater and boric acid make the units commercially inoperable going forward, but reflects the standard industry protocol of always maintaining public safety over conservatism for asset management.

Let me talk now about the comparison and the contrast of the circumstances in Japan to the Exelon nuclear plants. We do have some plants in our fleet that are similar in design and containment to those in Japan. Oyster Creek, Dresden 2 and 3, Peach Bottom 2 and 3 and Quad Cities 1 and 2 are GE BWRs with a Mark I containment. However, everything we've seen so far suggests that the problems at the Japanese plants are event driven not design-based driven. And there are some important differences between the plants, our plants and those in Japan.

In particular, the NRC has required extensive modifications to the plants of these type in the U.S. since they were built including design changes to control hydrogen and pressure through venting the containment, which we do not believe were in place as the same as our designs in Japan. The U.S. also has various emergency response procedures focused on pressure, level and temperature in the containment as well as multiple levels of backup power sources including two offsite power sources, emergency diesel generators at each station. But it appears thus far that the most important differentiating factor is the important equipment at the Japanese plant was not protected from these events unlike our plants where emergency diesel oil tanks are buried underground or in enclosed vaults.

Exelon nuclear plants are situated primarily in Illinois and Pennsylvania. These units are in low hazard earthquake zones and are designed to withstand the maximum historical ground motion event at the sites with significant margin. These G ratings are specific to each individual site and they consider the magnitude of the earthquake measured at the epicenter, the distance from the fault to the specific location and other elements such as geological material through which the wave passes.

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In September 2010, the NRC issued an Information Notice that provided an update of the NRC's activities in seismic research. They released a Safety Risk Assessment that summarizes the work that they have performed to date. This information is used to evaluate potential impacts on plant safety and to plan any future regulatory actions. Our units were last reviewed in 2010. Given the locations of the Exelon plants, tsunamis are not a risk. For example, our closest plant to the Atlantic Ocean, Oyster Creek, is located 5 miles inland behind a barrier island and elevated 23 feet above mean sea level.

In recorded history, there has never been a significant tsunami to hit the mid-Atlantic coast but we have hardened our systems at the plant – our plant against flooding and other extreme environmental conditions by ensuring fuel tanks are buried underground or vaulted and locating emergency core cooling in water-tight vaults or situated at appropriate elevations including a significant margin for a once in a lifetime event.

Taking an example, our Limerick Plant located on the Schuylkill River in Pennsylvania, the design basis flood level is conservatively estimated at elevation 207 feet above mean sea level. At the plant, the lowest grade level entry to any safety related structure is at 217 feet above mean sea level, which is 10 feet above the design basis flood. This ensures that flooding of severe magnitude will still not affect the safety-related components at the site.

The defense-in-depth design framework further ensures multiple levels of redundancy of our critical backup safety systems. In addition to the number of sources of offsite power, each site has multiple emergency generators with battery backups to ensure power is maintained to the site for the shutdown and cool down in a loss of cooling, excuse me, a loss of offsite power condition.

The emergency diesel generators are tested monthly while the batteries are inspected weekly and tested during refueling outages. Beyond the specific design base – the design and equipment of the plant, detailed Emergency Operating Procedures and Severe Accident Management Guidelines are in place that direct standardized operator response to ensure immediate safe shutdown occurs and is maintained.

I am confident that are plants are safe and we have reviewed the judgments, these judgments with our senior staff every day. At this point, I'll – I'm going to turn things over to Chip Pardee, who will talk about the design and safety features of the spent fuel, storage and steps we and others are taking in response to the events in Japan. Chip?

Charles (Chip) Pardee, Chief Operating Officer, Exelon Generation

Thanks, Chris, and good morning. As Chris mentioned earlier, the spent fuel pools at Daiichi Units 3 and 4 appear to have been damaged during the course of the events at the plant. Due to uncovered fuel, efforts have been made to add seawater to the pools to cool the fuel. At Exelon's plants, the spent fuel pools are located outside of the primary containment at Oyster Creek, Limerick, Peach Bottom, Dresden, LaSalle and Quad Cities the spent fuel pools are elevated, located adjacent to primary containment and inside of secondary containment. At Zion, TMI, Byron, Braidwood and Clinton Stations the spent fuel pools are located in a separate building at or below ground level.

The spent fuel pools have a stainless steel liner and are reinforced with three to six feet of concrete around the pool to limit any breach in the pool and maintain adequate water levels at all times. We have a number of ways to get water into the pools in an emergency to keep the spent fuel cool. First, our plant designs have a number of installed sources and flow paths for makeup water. These include multiple onsite water storage tanks that range in capacity from 80,000 to 500,000 gallons, an installed onsite fire water system, the ultimate heat sink for each station and for the boiling water reactors, the suppression pools.

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Second, we have portable high-capacity pumps available onsite to ensure the pools remain cooled even where there is significant water loss. Under current standards, spent fuel must remain in the pools for a minimum of five years in order to allow the fuel to adequately cool down enough to be placed in dry cask storage. However, spent fuel can be stored safely in these pools for a much longer period. Exelon currently has dry cask storage at seven of our stations, with three more that were already planned to be available by year 2013. We have capacity remaining in our spent fuel pools at the other sites. We will work with the industry to evaluate any potential changes to spent fuel storage and adjust our plans if needed but it is too soon to tell what form that might take.

Let me turn now to the specific actions the industry is already taking to respond to these events. Even before requests from legislators and others to review the safety of nuclear power plants in this country, the World Association of Nuclear Operators or WANO issued a Recommended Course of Action for all nuclear generators to conduct and to report on. INPO, the Institute of Nuclear Power Operations, also issued a report requesting the same actions with shorter deadlines.

The actions include thorough verifications of emergency system capabilities and detailed walk downs of critical safety equipment. We have completed the first action from the INPO – of the INPO 4 recommended actions. We have verified through tests or inspections that our emergency equipment is available and functional. We completed walk downs on our procedures to implement our strategies. We verified that the qualifications of our operators and the support staff needed to implement the procedures are current. We also verified that any applicable agreements and contracts are in place and are capable of meeting the conditions needed to mitigate the emergency conditions.

We do expect that additional operational reviews may be required by other regulatory bodies, including the Nuclear Regulatory Commission. It is premature to guess what that might ultimately look like. We will work closely with industry organizations, regulators and our peers to ensure that we incorporate the lessons from Japan, so that our plants can continue to respond safely and adequately to emergencies.

At this point, we do not believe that there are significant implications for the license renewals of any of our plants. The NRC license renewal process has typically taken about four to five years although we have always filed our applications well in advance of their current license end dates. We have already received license extensions on eight units, the remaining applications are either in process or will be submitted well in advance of the license expirations.

Finally, I'd like to comment briefly on our nuclear upgrades plan. Since we announced this investment program almost two years ago, we have said that one of the key benefits of the program for us and for our shareholders is the ability to take another look at these projects and adjust our plans if circumstances change. Clearly, to the extent that any increases in costs or changes in the licensed lives of the U.S. nuclear plants results from the events in Japan, we will consider this and reevaluate whether it makes sense to continue with specific projects. That is fully consistent with our prior expectations about how we evaluate these investments. We will, of course, let you know if any, excuse me, plans are changed in this program as we learn more from what has happened in Japan. But there are no specific known changes that would cause us to re-evaluate the current uprate plans at this point in time.

To sum up, we have a number of specific differences between our plants and those in Japan not only from a design perspective but just as importantly in the emergency planning procedures. Exelon's plants remain well positioned to respond safely and effectively to a crisis and we'll be actively engaged in the industry dialogue and assessments that will take place over the coming days, weeks and months to improve wherever possible.

We can now open up the lines to your questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And our first question comes from Paul Fremont of Jefferies.

<A – John W. Rowe>: Good morning, Paul.

<Q – Paul Fremont>: Thank you very much. Can you talk a little bit, since some of your plants are still, still need to go through re-licensing, what types of changes you might anticipate would be required in the re-licensing process?

<A>: I think -

<A>: You can take that if you wish?

<Q – Paul Fremont>: Sure.

<A – John W. Rowe>: Go ahead, Chip.

<A – Charles (Chip) Pardee>: Okay. Sorry, John, if I stepped on you. Thus far, first it is really too premature to be able to anticipate any of the changes that we think we will see in the operational or regulatory regimen, simply because insufficient has – time has passed and as Chris said, we are still on a daily basis getting updates to the information coming from Japan. It does appear, however that the changes that may be proposed will be implemented in the course of adjusting current operating licenses rather than simply a change to the re-licensing regimen.

The re-licensing process is focused principally on ensuring that our ageing equipment programs are sufficient to ensure continued safety and reliability from our equipment as time goes on.

Circumstances such as this that we believe are event driven, will be much more likely to have changes that are implemented as part of all of the stations operating licenses as applicable versus focused on the re-licensing process.

<Q – Paul Fremont>: And I guess my follow-up question would be, I think the company has mentioned that it may cut back on the amount of nuclear uprates that had been in the company's business plan. Is that linked to economics? And what should we assume that you do with the freed up cash?

<A – John W. Rowe>: Sure. Paul, this is John. Let me do that one. Chip tried to address that in his opening comments. Right now, we are holding course and speed. We're not planning any changes and we see as yet no reason for changes. The point I was trying to make the other day is, that we will – you know, the last part of the uprates, the so-called EPU's are a very substantial amount of money. And we will obviously rethink them, based on whatever the latest information is before we actually do that. So assume for the moment that we are on course but as Chip before, we are constantly re-looking at the economics.

And if something happens in the licensing regimen that adversely affects the economics, we'll take that into account in our usual cold-blooded way. As to what we will do with the cash, Mr. Hilzinger is always ambitious to improve his overall equity level, so that's one possibility. We have no particular adventure planned and anything that we think of that we would do, we communicate to you on its own merits. I mean, this does not automatically increase or decrease investments in our T&D companies or something like that, is just part of our general cash flow and we'd look at accordingly.

<Q – Paul Fremont>: Thank you.

Operator: Your next question comes from Hugh Wynne of Sanford Bernstein.

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<Q – Hugh Wynne>: Good morning. And thank you very much for the call. It seems to me that there, in all likelihood, will be some kind of Japanese and potentially international enquiry into the failures at the Fukushima Daiichi Plant and when those lessons learned are applied in the U.S., I suspect that the key focus will be plant blackouts and the ability to maintain the supply of cooling water to reactors and spent fuel ponds under those conditions.

And I don't think that the utility – that the NRC or the utility regulators will limit their assessment to the causes that triggered the plant blackout in Japan, in other words, I don't think the focus will be solely on tsunamis or earthquakes. They'll think about other circumstances that could cause plant blackouts like a terrorist attack or a cyber attack like Israel launched on the Iranian nuclear fuel enrichment program and which many cases we've been experiencing recently from China.

So, my question then is, across the entire U.S. fleet, can we draw parallels from Fukushima Daiichi regarding potential risks that could be – that could parallel those that have developed in Japan due to plant blackout? Are there steps that could be identified or, yeah, could be identified today to mitigate those risks? Is there any way in which we can begin to put a range of costs around potential upgrades to mitigate risks?

<A – John W. Rowe>: Hugh, let me start and then turn it over to Chris, Chip can chime in too if he wants. First, we agree with your sort of sober and far-reaching question. We think that's exactly what will happen. And thus, our folks have started to say, okay, this will cause questions to be asked about the entire spectrum of what we call the design basis of the plants. And we've already hired a team of outside experts to help us prepare for just that. Not that we don't think we know how to do most of it ourselves. But some of this just requires folks from – that wear other kinds of hats.

So we have that underway. They will of course look at the kinds of things that you mentioned afresh. Terrorism, which of course they have done after 9/11, cyber attacks the one you mentioned has already been a subject of enquiry from federal regulators. Other kinds of environmental effects. And it's frankly impossible for us to put meaningful numbers on what that can be. I mean, we believe that this will cost us some more money, but we can't put numbers and zeros on it, let alone numbers yet because we simply don't know what kind of changes are being talked about for what plans and indeed no one knows at the moment, because the regulator hasn't fully started this. But we will treat this as comprehensively as your question asks. Chris, what do you want to add to that?

<A – Christopher M. Crane>: The review is underway, it started. The Japanese have their own review. But the international review under the coordination of WANO and the IAEA are underway. So there are facts that are starting to be compiled. The regulator has taken a 90-day action item plan on reviewing current provisions for a magnitude of different issues that were already previously mentioned. So I think clarity will be coming in four to five months on what are the ratifications; there are significant differences already in the way we design, build and operate and respond to events. So we can't predict if we're going to have to do a little or a whole lot more. But we should know in about six months.

<Q – Hugh Wynne>: Great. Thank you very much.

<A – John W. Rowe>: Wish we could nail it but we can't.

Operator: Your next question comes from Michael Lapidès of Goldman Sachs.

<Q – Michael Lapidès>: Hi, guys. When you look out at the impact this could have on the global uranium markets and what that means if anything for the direction of your nuclear fuel costs, not just over the next year or so, but over the next four to five years, given near term is probably largely contracted, can you just talk about that, whether, I mean, in the U.S., we've seen, I remember nuclear fuel cost being \$4 a megawatt hour on average, kind of all in, including processing et

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cetera, and most companies are talking about it being somewhere closer to \$8 to \$10 a megawatt hour in the out years. Just curious if you see that taking a directional change?

<A – Christopher M. Crane>: No. Not a significant change. We think that the uranium is the supply and demand are fairly matching out. We see some perturbation with speculation or with specific countries stockpiling. The most recent run-up was China, going along on their stockpile and speculators jumping in at the same time. That has retreated. Taking six to eight reactors out of the stack, I don't think, will have a significant upside to us in decreasing of costs. So we see minimal effect by this event on long-term future prices.

<Q – Michael Lapidès>: Got it. Okay. Thank you.

Operator: Your next question comes from David Frank of Catapult.

<Q – David Frank>: Yeah. Hi, good morning.

<A – John W. Rowe>: Good morning.

<A>: Hi.

<Q – David Frank>: John, my question is regarding the evacuation plans for these areas around these reactors and if there is sufficient, I think, and correct me if I'm wrong, the standard plan calls for around a 10-mile radius from a plant. But given the dispersement of radiation, the wide dispersement we saw in Japan and in fact, I think, the U.S. government called for a 50-mile evacuation radius there, is a 10-mile zone enough? And if not, what distance should be used to ensure the safety of the population in some kind of extreme or unforeseen disaster?

<A – John W. Rowe>: We still believe the 10-mile EPZ is the right planning tool for the U.S. utilities. The issues around the government's sheltering and evacuation – the U.S. recommendation for U.S. citizens, what was partially driven through lack of information on what was actually going on in the area. If you come into the states around every plant, the company, the state and the federal government has indication of radiation releases, meteorological information, much more clarity, so they are much more confident on what is going on.

But due to the speed of the response, the way the situation was degrading and the lack of information. Now in our plans, we also go beyond the 10-mile evacuation to do sampling of vegetation, sampling of milk product to ensure we understand the impacts of any drift of minor radiation into the ingestion path. That is what you're seeing at the Japan incident right now, where they are picking up some vegetation, some milk, some vegetable and some water and our plans would also perform that increased sampling in those areas. So, Chip, I don't know if you have anything other from Washington on that.

<A – Charles (Chip) Pardee>: No. And to your point about the U.S. government making some very, very conservative judgments, I'd say the other differentiator is the assumption was all six cores in the spent fuel stored at that site were going to be dispersed and we simply don't have that kind of concentration of generating stations as exists at Fukushima Daiichi. So there are a number of different variables that separate us from the situation there in Japan.

<A – Christopher M. Crane>: What we do expect to hear a lot more about that in public hearings on the Hill and locally, but we feel that the regulator has signaled that the U.S. policy should stand and will continue to reach out to the public in the states and the other stakeholders on that.

<Q – David Frank>: So do you still believe 10 miles is sufficient even in some kind of extreme or unforeseen disaster?

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<A – Christopher M. Crane>: But – you are stretching it with the unforeseen disaster; we believe that our plants, the design and the containment and the mitigation strategies would contain in the 10-mile radius is adequate.

<Q – David Frank>: Right. I know the U.S. does a great job in its operating its fleets, but I guess what we're seeing is there is just the possibility of an event that no one's planned for and do we need to prepare for that? I guess that was more of my question. I have no doubt that your plans are...

<A – John W. Rowe>: Well, let me try, John. Obviously, the question you're asking will be asked afresh by the regulators. I mean that's pretty clear. Chris has given you the best answer we can give you about how where we think it will come out and why. But we can't guarantee there isn't going to be a new review for just the reasons you said.

One of the things you just have to constantly deal with here is at some point, that you're dealing with how infinitesimal is the probability of the unforeseen disaster. Now, one's judgment in that respect always gets stretched. Fukushima is a series of events that simply weren't supposed to happen. And I have cautioned my whole nuclear operating group that they should take the fact that something happened that simply wasn't supposed to happen with extreme gravity. My entire management has been through the abandoned reactor at Three Mile Island because we wanted to remind everyone of how serious failure is in this industry.

So we can't guarantee to you that they won't reopen these issues. As Chris has stated, we think the combination of the basic design criteria plus the operating procedures that have been developed in the event of failure should be found to provide an adequate level of protection. But let's not fool ourselves, we're going to spend a lot of money in new regulatory reviews and we are going to face some kinds of new requirements. We just can't put them in a bottle yet.

<Q – David Frank>: Thanks, guys.

Operator: Your next question comes from Steve Fleishman of Bank of America.

<Q – Steven Fleishman>: Thank you. My question was actually answered. But thank you for doing the call.

<A – John W. Rowe>: Thanks, Steve.

Operator: Your next question comes from Paul Patterson of Glenrock Associates.

<A – John W. Rowe>: Good morning, Paul.

<Q – Paul Patterson>: Good morning. How are you?

<A – John W. Rowe>: Good.

<Q – Paul Patterson>: Governor Quinn in Illinois has been in the papers indicating that he wants to increase fees and inspections, and he's going to the General Assembly on that. A, can you quantify how much he's talking about and what he is actually sort of talking about? B, have any other states or regulatory bodies suggested this kind of thing? And C, I guess sort of just more generally, when we are talking about things like terrorism, when we talk about evacuation, all this stuff, just how many – how many different, I guess cooks in the kitchen can there be? I mean, how many regulatory bodies I guess might be involved in this or governmental bodies?

<A – Christopher M. Crane>: Let me start with the back first. We have a very structured emergency preparedness program that we coordinate. We actually do graded exercises under the

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direction of the NRC. The NRC is the coordinating agency for FEMA. And FEMA provides the controls along with the state bodies. So it sounds like a very complicated matrixed organization but that is why we drill it on a regular basis. We do terrorist drills, we do severe accident drills, we work closely with the State Police and validate the evacuation routes. So I think, and it's drilled at the site once a quarter and we do the graded exercises on the annual basis.

So we feel comfortable that although there are some, there are many agencies involved, that the agencies are well trained, the emergency response centers are well staffed, the communications protocols are well understood and they are well drilled.

So we do feel good about that. Illinois, as the Governor of Illinois has mentioned that he would like to increase the fee on the nuclear plants to help increase some staff for oversight. Not every state has an oversight body like Illinois. We do have one in Pennsylvania and New Jersey. Other states, in some other states they do not have them and rely on the NRC to provide that oversight.

We have no qualms with the 2% to 2.5% increase from what we've heard; we think public confidence and a strong regulator is required. If we did think it was a large or unusual request, we would work with the state to try to find a better alternative. But we have no issues and it's been many years since Illinois has had an increase in that budget area.

<A – John W. Rowe>: I thought this was about \$2 million and am I right, Chris?

<A – Christopher M. Crane>: I think – I don't think we know -

<A – Charles (Chip) Pardee>: Yeah. I think it's just under \$3 million, is what the initial proposal was.

<A – John W. Rowe>: Thanks, Chip.

<Q – Paul Patterson>: Okay. Great. Thanks very much, guys.

Operator: Your next question comes from Julien Dumoulin-Smith of UBS.

<Q – Julien Dumoulin-Smith>: Hi, good morning. Thank you so much for hosting the call again. I appreciate it. Anyway, I just want to jump in. You've spoken a little bit about the uprate program thus far, but wanted to get a little bit more flavor as to the timing and regulatory approvals required for the uprate program. Should we be looking at any specific developments on that front as to moving forward with projects? And maybe starting from the top down, do you anticipate any issues with respect to getting approvals or any necessary approvals for the uprate program?

<A – Charles (Chip) Pardee>: Would you like me to take this one, John?

<A – John W. Rowe>: Please, Chip.

<A – Christopher M. Crane>: Yeah.

<A – Charles (Chip) Pardee>: Okay. We'll use 2011 as an example, because obviously, the uncertainty is greatest at this point in time. We have something under \$500 million budgeted for our uprate programs for 2011. Something on the order of half of that is associated with the, with turbine replacements, those kinds of uprates that do not require NRC approval. And we will continue with those turbine replacements, we have three units that will undergo those modifications this year. So about half requires no NRC approval.

About half of the remaining half, or 25%, of the money will be invested in measurement uncertainty, recapture and I realize that these are some specifics that we had previously provided that may not

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still be in your memories. But these are relatively modest uprates, something on the order of 1.5%. And that the NRC has a very well-exercised approval process, we know exactly what information they are going to require. And I don't anticipate that roughly \$100 million or so to be slowed down or the projects to be diverted.

And then the balance is on the extended power uprate projects and we have something on the order of \$100 million budgeted for two extended power uprate projects for this year. I do think that the regulatory process changes associated with any learnings that we derive from Japan will be focused on the extended power uprates. However, we are not at the point in those projects yet where we have even started seeking NRC approval.

So, while clearly we are going to have answers that we have to develop for ourselves based on learnings in Japan, we are just not at the point where an interruption in the regulatory approval process, for example, will significantly impact at least in the short term. And to answer longer term we'll require that those 30, 60, 90-day reviews that Chris was referring to earlier, for us to be able to – to accurately prognosticate over what we expect to happen there.

So, short term, no changes. The extended power uprates are the ones that I think will receive the greatest technical scrutiny from industry including our own company and from NRC. And we're just not at the point yet where we will start those evaluations and start the dialogue with the government at this juncture.

<Q – Julien Dumoulin-Smith>: Very well. Thank you very much.

<A – Charles (Chip) Pardee>: Sure.

Operator: Your next question comes from Ali Agha of SunTrust [SunTrust Robinson Humphrey].

<Q – Ali Agha>: Hi, thank you. Good morning.

<A – John W. Rowe>: Good morning.

<Q – Ali Agha>: As you mentioned, the review process obviously, is ongoing and then things will start clearing up in a few months. But based on what you know today, is there anything obvious that stands out that needs to be changed as far as either your portfolio or the industry portfolio is concerned here in the U.S.?

<A – John W. Rowe>: I think not. And I will let Chris and Chip amplify what I'm going to say. But I think you need to hear this from me first. I think there is nothing obvious to us that needs to be changed. I do think there are certain areas that are obvious to us that will get review at the sort of front end of the process. One of those is the Emergency Planning Zone questions that was already addressed.

Another one is the maintenance of spent fuel in the spent fuel pools beyond the required five years. A third is the general adequacy of the Mark I containment. And a fourth, even though, I think Hugh Wynne was right when he said, they'll really look at things other than seismic and tsunamis here. I think we have to be alert for further questions about the adequacy of the seismic standards. So we would see regulatory scrutiny in all of those areas and we will be prepared to make our best case.

And as you know, we have an agreement with DOE and Justice Department that pays for part of our spent fuel handling costs, that's the indelible contribution of a young man named Tom O'Neill and we would expect that if we have to do something, that would bear part of that cost. I also intend to suggest that if some change in spent fuel management is required, the cost of that should come out of the money the industry has already paid into the Fuel Disposal Fund but that might even require legislation to make that fix. So those are the four areas that have come to my attention in

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our internal discussion so far as being the most likely places of initial investigation. Chris, do you want to add or subtract?

<A – Christopher M. Crane>: No, that's perfect.

<Q – Ali Agha>: Okay. And one other follow-up on a separate note. I guess there is still an expectation that the EPA is going to come out with a cooling water intake rules next week. Could you give us your perspective, are you still expecting those proposals next week and what the implications of those might be?

<A – John W. Rowe>: I'll do my best, you want to do it, Chris?

<A – Christopher M. Crane>: I think the only thing we'd say is when we get those, we'll cover them. Right now, I wanted to stay focused on the nuclear, but those – there is a couple calls this week that will clarify them, but nothing new has transpired since we last talked about it [inaudible].

<Q – Ali Agha>: Fair enough, but those would have implications for the nuclear fleet, would they not?

<A – John W. Rowe>: Implications, yes but Administrator Jackson has made it very clear that she expects the rules to be case-by-case and fairly flexible. So at the moment, we're not seeing any cost disaster for our nuclear fleet here. I mean we'll let you know more when we see the proposals and we know more, but we think the flexibility provisions are going to be pretty important here.

<Q – Ali Agha>: Thank you.

Operator: Your next question comes from Jay Dobson of Wunderlich Securities.

<Q – James Dobson>: Good morning, John. Thank you for the call.

<A – John W. Rowe>: Thank you, Jay.

<Q – James Dobson>: A question for you first on operating costs if we could revisit that. I know it's very early, but what have you spent or what has this incident in Japan caused you to spend to date? So over the last two weeks?

<A – John W. Rowe>: Well, one of – I mean as Edward Teller said after Three Mile Island, mostly wear and tear on our nerves, but Chip – Chris, several million?

<A – Christopher M. Crane>: I don't think it's that. We have dispatched technical teams. We've redispached some other folks to monitor. Chip is in Washington; nothing incrementally above current budget. We've done walk downs on plants, haven't incurred any new expense. So nothing above current budgeted amounts, just redirect of resources.

<A – John W. Rowe>: Just – we just, I mean, we just can't put numbers on what this will cost over a three to five year period. I mean, you want it, I want it, any sane person wants it, we don't know. But the range from a low to a high would be an order of magnitude. I mean, this is going to impose significant costs, perhaps material costs upon us before we're done. But we will manage that as well as we can and I wouldn't see anything that would change my earnings estimate range for the year.

And if we do, we'll let you know. It just – I'm trying very hard to strike what I would call a subjective note here because we simply can't put numbers on and the exercise would be vain. We take this very seriously as a new burden for the nuclear industry to carry. At the same time, we've worked

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our way through worse. And I think we will manage this consistent with the kinds of expectations you have for the company. I just can't do better than that. I wish I could, and when I can, I will.

<Q – James Dobson>: No. Absolutely appreciate that John. And thank you for the detail. As perhaps a way of looking at it, can we look back to history a little and the tragic events of September 11, 2001 and look at some of the system hardening effort that occurred in the wake of that. And can you maybe share with us what operating costs and capital costs were impacted there over the ensuing, I think it was a couple of years?

<A – Christopher M. Crane>: Well, there was a significant expenditure across the U.S. fleet on security upgrades. And in our fleet alone, it was in capital space in the hundreds of millions, creating a new defensive strategies and really hardening. We hired an internal paramilitary type force to protect. So there's been significant increases and our security costs have all been baked into our numbers on the forward years. You don't see any more significant cost in that area.

One of the things that was done after 9/11 was at the NRC's direction to look at beyond design basis accidents. What if that big plane hit the plant? How would you keep the spent fuel pool covered? How would you keep the cooling systems running? And that drove a ruling and it was within the security orders and it's got a name now that's carried on B.5.b, which is Severe Accident Type Recovery Beyond Design Basis, where we have bought temporary pumps, diesel pumps, we have strategies and have locations on how we would flood the pools.

Things that are going on in Japan now, after 9/11, we came up with the plans across the U.S. and actually have drilled on them. And that's part of what Chip said that we are out validating, we still have everything in place and tested to be able to do that. So those were not large expenditures. But we think they were significant and it would prepare us a much greater than design-basis event.

<Q – James Dobson>: And then that's great. And that just last on that, Chris, would you expect the process would be comparable to that one – as I understand it was about a year of, sort of thoughtfulness after the events of 9/11 that then drove to some process, spending, what have you that sort of hardened the systems. Would you expect sort of a similar process on the back of this? I think John indicated there wasn't a real rush to judgment, but obviously people are looking for results.

<A – Christopher M. Crane>: Right. I would – and what will happen is, the first – the international report and the NRC report will be completed. The lessons learned will be discussed with the industry. The Nuclear Energy Institute and – which is Chip actually chairs the group that will be reviewing that and coming up with the industry's actions on it. That will be out I think, a year, a year plus, Chip, do you want to?

<A – Charles (Chip) Pardee>: Yeah. I agree with your time frames. The NRC has recently committed to a 30 and 60 and 90-day update on their initial reviews. So, to your question, I think, we'll get some insight as we get those reports from NRC. But I do think the process will largely mimic what we saw post 9/11. I will say that post 9/11, it was clear that we had to significantly readjust our design bases against events in that case of terrorism. Thus far, as we are looking at these events, we're not seeing a whole new horizon of challenges as of yet. So with those comments, I would say process wise, I do believe that we'll see an analog, but from at least the first blush, we're not sitting here saying, holy mackerel, we never considered that.

What we saw in Japan, the sequence of events has largely been considered here in the United States and now we have to make sure that there are different permutations, that our margins are adequate and such. So there are some parallels that will hold and then there are some significant differences from what we learned post 9/11 to what we're learning today. And time will tell us how significant those differences are.

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<Q – James Dobson>: Great. Thank you very much, John, Chris and Chip.

<A – Charles (Chip) Pardee>: Thank you.

Stacie Frank, Vice President, Investor Relations

Last, I'd like to call the turn – turn the call back over to John Rowe for some closing remarks.

John W. Rowe, Chairman and Chief Executive Officer

Thanks, first, Stacie will be available and she has access to Chip and others to help answer any of your questions as we go on day by day. And obviously, if you ask something that we think is material information, we'll provide it in 8-K form, if we need to do so. We are absolutely committed to telling you what we know, when we know it.

But now let me just end by saying this, I mean, the Exelon nuclear fleet is the largest and best clean energy fleet in the United States. This is a challenge that is very curious. We will take it on with great soberness with total commitment from our people. We expect it to impose both new hassles and new costs, but we will meet them thoroughly and we continue to believe that this nuclear fleet is safe and the biggest asset in the American energy industry.

Stacie Frank, Vice President, Investor Relations

Thank you. That concludes our call this morning.

Operator: And ladies and gentlemen that concludes the Exelon nuclear update. We appreciate your time. You may now disconnect.

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