

**Exelon Corp.***Company▲*

EXC

*Ticker▲*Edison Electric Institute  
(EEI) Financial Conference  
*Event Type▲*

Nov. 2, 2010

*Date▲***MANAGEMENT DISCUSSION SECTION****Christopher M. Crane, President and Chief Operating Officer, Exelon Corporation; President, Exelon Generation**

Good morning. I think we are ready to get started. These rooms are on a tight clock, so I've got my helper in the back moving us on. I am Chris Crane, President and Chief Operating Officer of Exelon Corporation. I'd like to welcome you all here this morning. With me up on the stage I have Bill Von Hoene, our Executive Vice President of Legal and Finance and Ken Cornew, who is our President of Power Team, our power trading organization.

So, we'll move through the slides this morning covering some of the detail and try to leave adequate time at the end for conversation. As you can see, our key of the presentation this year is clean in competitive markets. We believe Exelon is positioned as a clean utility and generator in the competitive market will enable us to create lasting value.

As you know, we're going to be talking about the future and the numbers, so the forward-looking statement is applicable here and please read through it and understand how to put our comments in context. They are good enough from a legal standpoint.

Our investment philosophy has been and continues to be grounded in Exelon's protecting growth strategy. The effectiveness of this strategy demands that we consider energy policy issues that are at the forefront of the debate in Washington and significant conversation is going on here at this conference. While we base our investment philosophy and decisions around sound financials and economics, we also evaluate how the future energy policy could affect those economics. So the decisions we make today could create a long-term value proposition in the future.

These are the five most economical rational policies that we can pursue in our financial investment strategies, and as you can see advocating and generating around the environmental regulations. We're going to cover our uprate program as we go through. The investment in our regulated utilities and continued returns there, acquisitions on renewable energy sources and development in the future in our transmission business investments that we've just recently announced.

So starting with the EPA regulations, and how Washington can affect us. The timeline for the implementation of the EPA regulations has been set and leaves little room for generators to delay. Extensions work on compliance will be on a specific plant-by-plant basis. It will be granted in limited circumstances where generators are making progress and installing technologies but cannot meet the deadlines.

We estimate 11 gigawatts of retirement due to these regulations and other pressures in PJM in the near future. PJM has a total of 180 gigawatts of capacity, 75 gigawatts of that is coal; of that 21 gigawatts is at smaller units less than 300 megawatts in size, and which are more than 40 years old. And of that the 11,000 gigawatts that I mentioned, has no environmental controls currently installed on them.

Our estimates are in line maybe a little bit more conservative with when compared with other public sources. We all use a very similar model; we vary our inputs between what we see at Exelon, between what – compared to what PJM has announced and considers the affect EPA in NERC.

So where does that take us? We see a shift in the PJM dispatch stack as the coal retires in the benefits to Exelon's nuclear fleet. In the marginal cost dispatch model like we have in PJM, those higher variable costs coupled with reduction in base load and intermediate supply from coal, we believe we'll have a \$5 to \$7 impact – per megawatt hour impact on the PJM pricing. And that's assuming gas prices don't experience any further declines.

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We have – we think some of this is already priced into the market in 2014 and '15, but there is still some upside that has not been reflected yet. We expect to see more price impact reflected next year as the HAP rules are announced and brings clarity to the requirements on the coal generators.

So, you can see on the curve this is a very busy curve that with the coal retirements coming into play or and it's not just the retirements I need to mention on this, it's also the coal generators bidding in their cost of compliance with the new regulations. You'll see the stack come left as generation retires and the cost for the variable cost increase over time with will have a significant effect on the capacity market.

So how does that relate in returns for us as we positioned our fleet. Our estimate on the capacity revenues, as you can see, will be increasing by 2014, '15 auction that will take place in May. Our estimate is that the [inaudible] prices of our own capacity, which is split about 50-50 in the Eastern and Western zones could rise to somewhere in the range of a \$190 to \$240 per megawatt day.

It's a range we're pretty comfortable with and it translates to an increase of revenues for our fleet of 400 to 800 over the last auction. The ultimate clearing price is heavily influenced on the bidding behaviors of those in the market, which remains to be seen. As I mentioned, we think the rational behavior would be to bid in your full cost of compliance in your increased cost of operation. We don't think it makes sense for co-generators to significantly underbid the compliance cost.

There has been and continues to be a lot of conversation about how the stack can handle the clean requirements. This slide depicts the PJM capacity – excuse me, the PJM wise supply curve. On the y-axis, we show the power prices in PJM. On the x-axis, we show the terawatt hours of electricity in PJM. The individual colored bars with the charts represent the specific increments of actions that can be taken to clean the stack within PJM. The height of the bars represents the around the clock power prices and includes the energy and capacity that would make those economic decisions viable. The length of the bar shows the impact of generation, and as you move left to right, you're moving from the lower cost ways to achieve the required targets for clean generation in PJM to higher cost investments.

The key takeaway of the graph is the cleanest alternatives for cleaning up the stack are things like energy efficiency, power uprates on existing nuclear assets, and retirement of coal assets. Overall in this end, you can see that the more expensive actions to take to clean the stack, which is new nuclear, solar and clean coal type activities. This is the reason why we announced last year that we would no longer be continuing with our new nuclear development at our green field site due to the economics; but more focus on being able to meet the requirements, the demand requirements with our power uprates.

Along with our investments that we're making in the generating company, we continue on our regulated side, ComEd is investing \$178 million in transmission upgrades in the Chicago area to support reliability. And those will – those should recover those investments through the FERC formula rate process. ComEd's path forward on the incremental smart grid investments will depend largely on getting adequate cost recovery through the regulatory process as we try to resolve our latest issue that we've encountered in that area.

PECO will continue to investment also in their service area. They currently are investing \$4 million this year through 2013 on smart grid meter deployment, which is aided significantly by a \$200 million stimulus order received from the DOE. PECO will continue to receive recovery on those programs at a 10% ROE. They're also continuing to support the retirement of coal units through the transmission development at our Cromby and Eddystone site that we've announced last year that we will be retiring in a few years.

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Along with our utility investments and our generating investments, we recently announced the acquisition of John Deere's renewable portfolio. And we find that it's particularly attractive and financially and strategically fits within the portfolio. We spent a significant amount of time evaluating wind as a strategy – a growth strategy. We currently uptick – we contracted to take uptick on many megawatts of wind. As we looked through the different portfolios, we had a problem seeing them as either being cash accretive or earnings accretive. This investment we found was the strongest that returns cash – and returns – and supports earnings. And that's based on the long-term contracts of most of these assets, the 735 megawatts that are operating have long-term PPAs with them.

With the new wind portfolio, we think we'll be in a good strategic position to have a hand in developing future energy policies, and as if the national RPS standards are passed or a continued state demand comes, we'll have the development wing to be able to pursue that.

Significant wind build-up does depend on a couple of factors. Cost allocation on transmission, inter-regional planning and other FERC and NOPR – the FERC/NOPR requirements that have been dealt with between all of the utilities, EEI and FERC. Transmission goes out to support reliability and movement of these renewable powers to load centers is going to be a demanding cost; but we think it will benefit in the future.

We have announced and we're pleased to announce this yesterday continuing to support this transmission build out. The first steps in commercializing one of the alternatives identified in the SMART Study. Last week we signed a memorandum of understanding with ETA, which is a joint venture of AEP and MidAmerican to develop the RITE Line. This is a 400-plus mile line, well, with the straight to high voltage – well, straight from the high-voltage transmission system, connecting Illinois, Indiana, and Ohio. It will improve reliability and enable the states in the region to meet the renewable portfolio standards for years to come. We estimate the total investment of the project to be about \$1.6 billion with Exelon's investment opportunity at approximately 1.1 billion. ComEd will take the lead for the Illinois portion of the line and ETA will take lead for the project in Indiana.

As we work through the details of the structure we are contemplating the opportunities for ETC and other interested parties from the SMART Study to take minority interest in the project as well. Clearly this is a first step in a very large – very long process, which will include going through the PJM [inaudible] process, filing with FERC for the incentive rates and working through the state commissions and the stakeholders on the approval and citing.

Our plan is to get started early next year with our filings. We're not expected to make any significant capital expenditures until 2013 when the construction would begin, but that would be – we'll have certainty of permits at that point in approval for the line to go forward. The project right now is being projected will begin to come online in stages starting in 2015.

So from 2010 to 2013 Exelon will invest about 3.5 billion in sizeable capital projects that will create significant value for the shareholders on their own, but that will also maximize the benefits that we will recognize from the energy policies and the environmental policies in the U.S. shift to a cleaner future.

Our track record for putting capital to work to create returns for our shareholders is one that we will continue to pursue. We will do that in ways that don't just consider today but will incorporate how the landscape of our industry and our energy policy in the country will change for years – in the future years.

You can see the breakdown on the slide here. Our IRRs range from 11% to 16%, significant spend but return from our uprates. The investment in renewables is garnering a good returns; that includes the purchase and some of the build-out projects that are under process right now. Regulated Smart Grid, the generation base CapEx, this is maintaining the reliability of our assets as

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we come to enjoy averaging well over 90% for the past 10 years our regulated base capital including new business in a small pieces like corporate.

We do this all by – and while maintaining the investment grade ratings that keep the company strong when the commodity cycles are weak. We'll continue to return value to our shareholders through a dividend that we have grown over time that remains stable and an important part of our cash flow projections.

We are protecting today's value through continued excellence and operations, and that part cannot be understated of our nuclear fleet in regulated investments and our utilities. We are investing in projects now that will increase the shareholder value in the long term such as the uprates as I mentioned, transmission and wind portfolio and we'll be doing both with the focus on how the energy and environmental policies of the U.S. can take further changes into effect.

So with that, I will open it up with any questions or comments that you'd like to share.

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**<A – Christopher Crane>:** It's an easy group, first thing in the morning. No questions? Oh, here we go.

**<Q>:** The election gridlock in D.C., will it affect Exelon, if any?

**<A – Christopher Crane>:** Here is your mike. The question was the election, today's elections, the gridlock on – in Washington and will it have any effect on Exelon?

We don't believe we'll have any meaningful effect at a federal level; at a state level, we'll continue to work with the regulators. We think the policies have been set; the laws are in place either on the environmental side or in other regulatory areas. So we think the impacts would be minimal.

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

If nothing else, we appreciate your time. Thank you.

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