

# **Atlantic Equities Investor Visit Power Team**

**April 5, 2011**



# Forward-Looking Statements



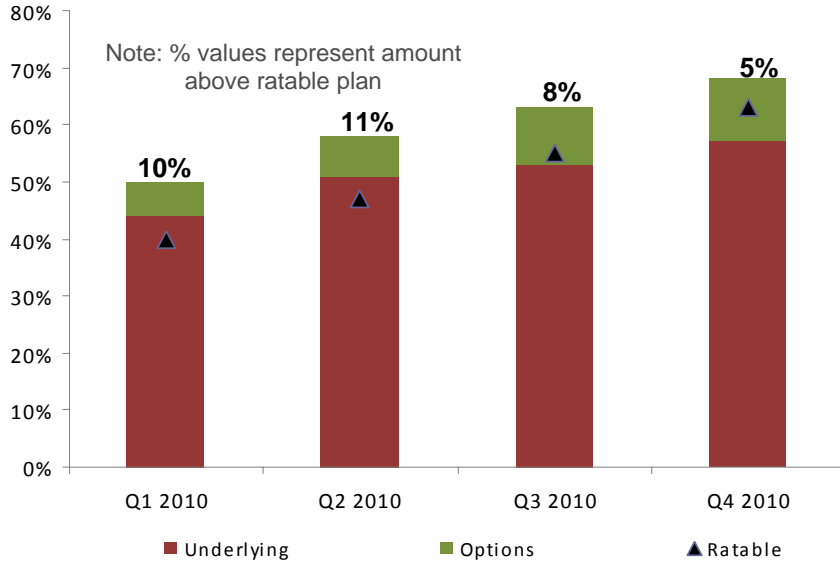
This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from these forward-looking statements include those discussed herein as well as those discussed in (1) Exelon's 2010 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 18; and (2) other factors discussed in filings with the Securities and Exchange Commission (SEC) by Exelon Corporation, Commonwealth Edison Company, PECO Energy Company and Exelon Generation Company, LLC (Companies). Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. None of the Companies undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

This presentation includes references to adjusted (non-GAAP) operating earnings and non-GAAP cash flows that exclude the impact of certain factors. We believe that these adjusted operating earnings and cash flows are representative of the underlying operational results of the Companies. Please refer to the appendix to this presentation for a reconciliation of adjusted (non-GAAP) operating earnings to GAAP earnings. Please refer to the footnotes of the following slides for a reconciliation of non-GAAP cash flows to GAAP cash flows.

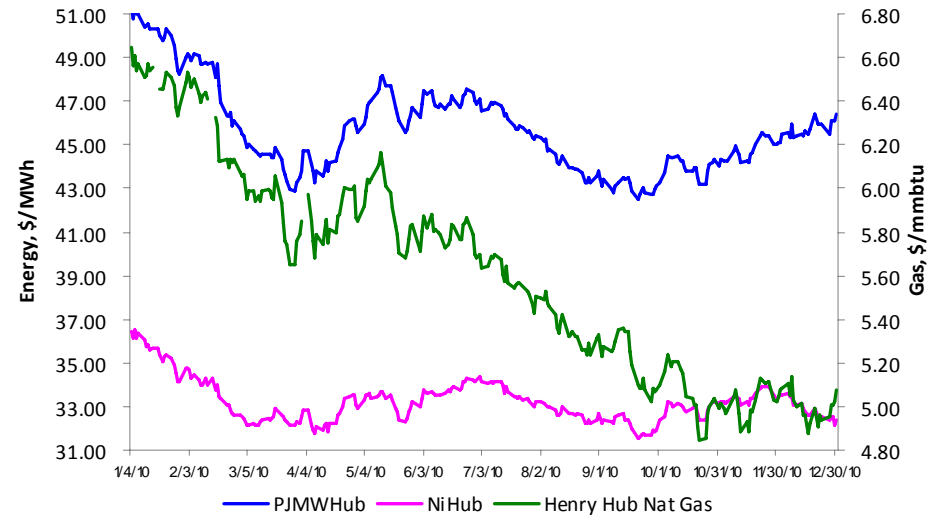
# Power Fundamentals & Hedging Update



## 2012 Quarterly Hedge Level vs. Ratable Plan



## 2012 Historical Energy & Gas Prices



➤ **Normal practice is to hedge commodity risk on a ratable basis over three years**

- Maintain flexibility from quarter to quarter
- Use gas and power put options to capture potential upside while providing downside price protection

➤ **Using our perspective on the markets to time sales, thereby adding value**

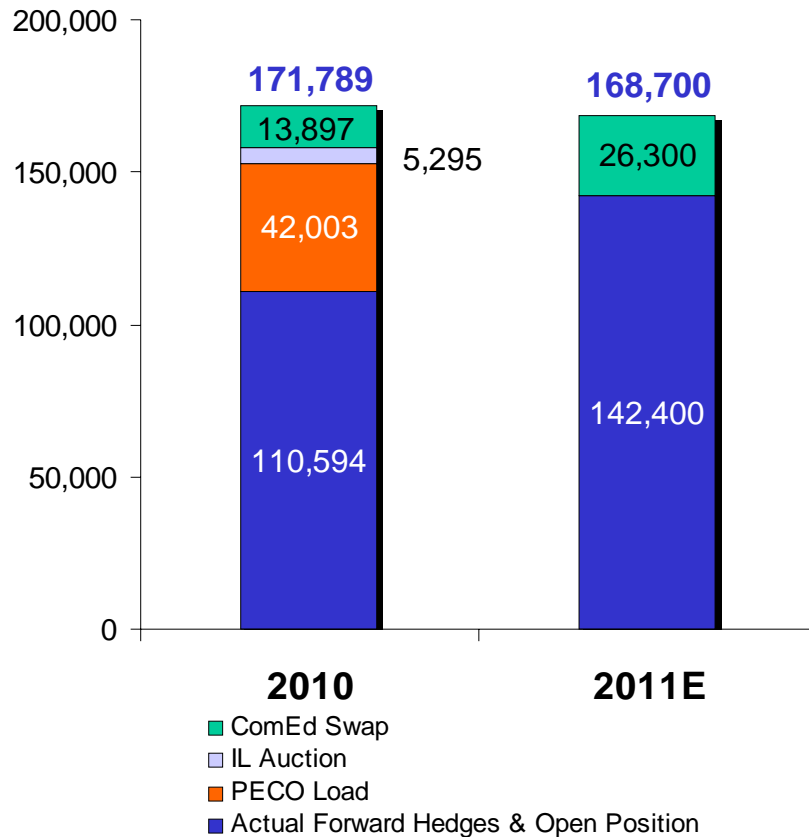
- PJMW energy prices increased in 4Q 2010, driven by higher eastern coal prices
- NiHub energy prices and Henry Hub natural gas prices remained relatively stable in 4Q 2010
- Slowed down pace of hedging in Q3 & Q4 to recognize future upside from environmental regulations and economic recovery

**Exelon's ratable hedging program provides flexibility to time sales based on fundamental view of the market**

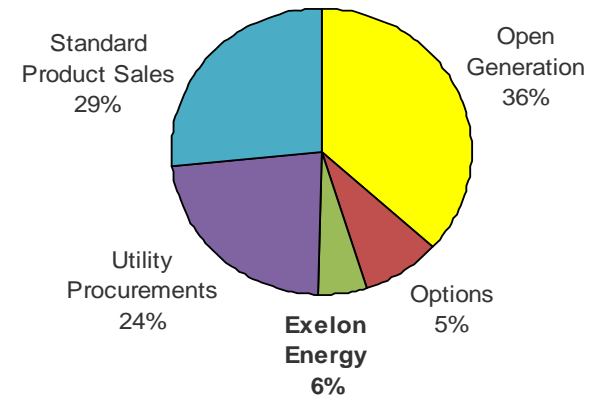
# Moving Generation to Market



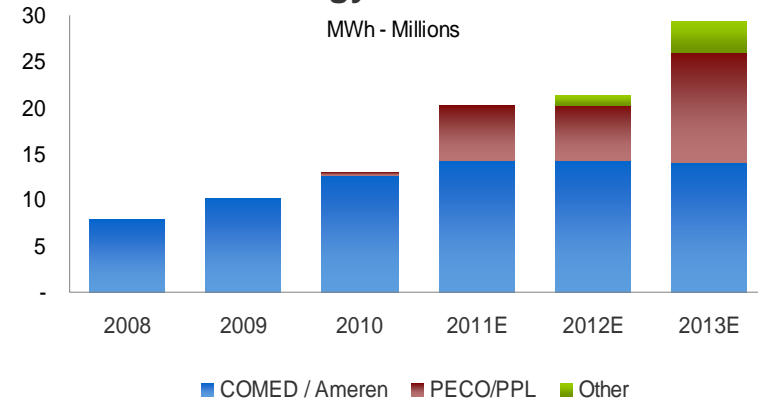
**Expected Total Sales (GWh) <sup>(1)</sup>**



**2011-2013 Sales as % of Expected Generation <sup>(1)</sup>**



**Exelon Energy Electric Volumes**



**Transition to market at PECO provides additional channels to market for Exelon Generation, including opportunities at Exelon Energy**

(1) Represents values as of December 31, 2010.

# 2014/15 PJM Capacity Auction: Expected Changes Since Planning Year 2013/14



## Factors Influencing PJM RPM Capacity Auction (Comparison of PY 14/15 and PY 13/14 Price Drivers)

## Exelon Price Impact

Cost of Environmental Upgrades <sup>(1)</sup>



Higher Net CONE <sup>(2)</sup>



Higher Net ACRs for Coal Units <sup>(3)</sup>



Import Transmission Limits and Objectives  
(muted impact on portfolio revenues due to regional diversification)



NJ CCGT Proposal / PJM Minimum Offer Price Rules



Peak Load <sup>(4)</sup>



Demand Response Growth



**Exelon's capacity position, split almost evenly between the west and the east, dampens the volatility to portfolio revenues from changes to transmission limits while retaining upside across the fleet from upcoming EPA regulations**

(1) We expect generators to reflect cost of capital expenditures into their cost based offers at the upcoming auction.

(2) Cost of new entry (CONE) increased by 7.6% (for RTO) and 5.3% to 6.5% (within Locational Deliverability Areas (LDAs)).

(3) Replacing 2007 net revenues with significantly lower 2010 revenues in the Net ACR (avoidable cost rate) calculations for coal generators may increase offer caps for certain coal generators in the next auction. However, some coal units may not be affected due to high net revenues compared to avoidable costs.

(4) Peak load reduced by approx. 1% in RTO (excluding the impact from Duke Ohio integration).

Note: RPM = Reliability Pricing Model; CCGT = combined cycle gas turbine

# Reliability Pricing Model (RPM) Auction



## Exelon Generation Eligible Capacity within PJM Reliability Pricing Model <sup>(1)</sup>

<i>in MW</i>	2010/2011		2011/2012	2012/2013	2013/2014
	<u>Capacity <sup>(2)</sup></u>	<u>Obligation</u>	<u>Capacity <sup>(2)</sup></u>	<u>Capacity <sup>(2)</sup></u>	<u>Capacity <sup>(2)</sup></u>
<b>RTO</b>	23,900	9,300 - 9,400 <sup>(3)</sup>	22,300	11,600	10,300
	\$174.29		\$110.00	\$16.46	\$27.73
<b>EMAAC</b>				8,700 <sup>(4)</sup>	8,700 <sup>(4)</sup>
	\$174.29		\$110.00	\$139.73	\$245.00
<b>MAAC</b>				1,500	1,500
	\$174.29		\$110.00	\$133.37	\$226.15
<b>Avg (\$/MW-Day) <sup>(5)</sup></b>	<b>\$174.29</b>		<b>\$110.00</b>	<b>\$74.00</b>	<b>\$134.00</b>

(1) All generation values are approximate and not inclusive of wholesale transactions.

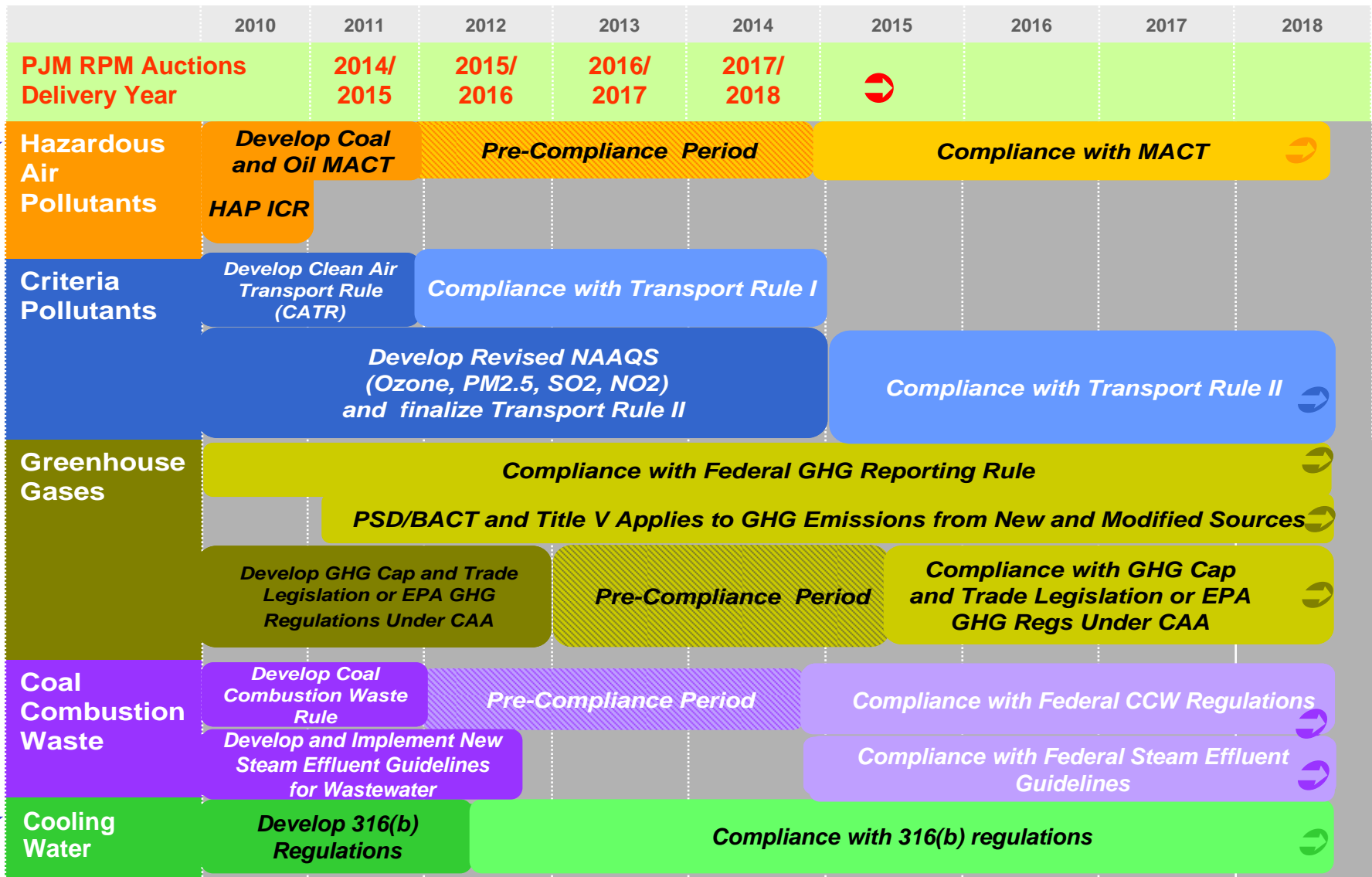
(2) All capacity values are in installed capacity terms (summer ratings) located in the areas and capacity values have been adjusted for mid year PPA roll offs. JDR assets are not included in the capacity position.

(3) Obligation consists of load obligations from PECO. PECO PPA expires December 2010.

(4) Reflects decision in December 2009 to permanently retire Cromby Station and Eddystone Units 1&2 as of 5/31/11. None of these 933 MW cleared in the 2011/2012 or 2012/2013 auctions.

(5) Weighted average \$/MW-Day would apply if all generation cleared in the highlighted zones.

# EPA Regulations Will Move Forward in 2011



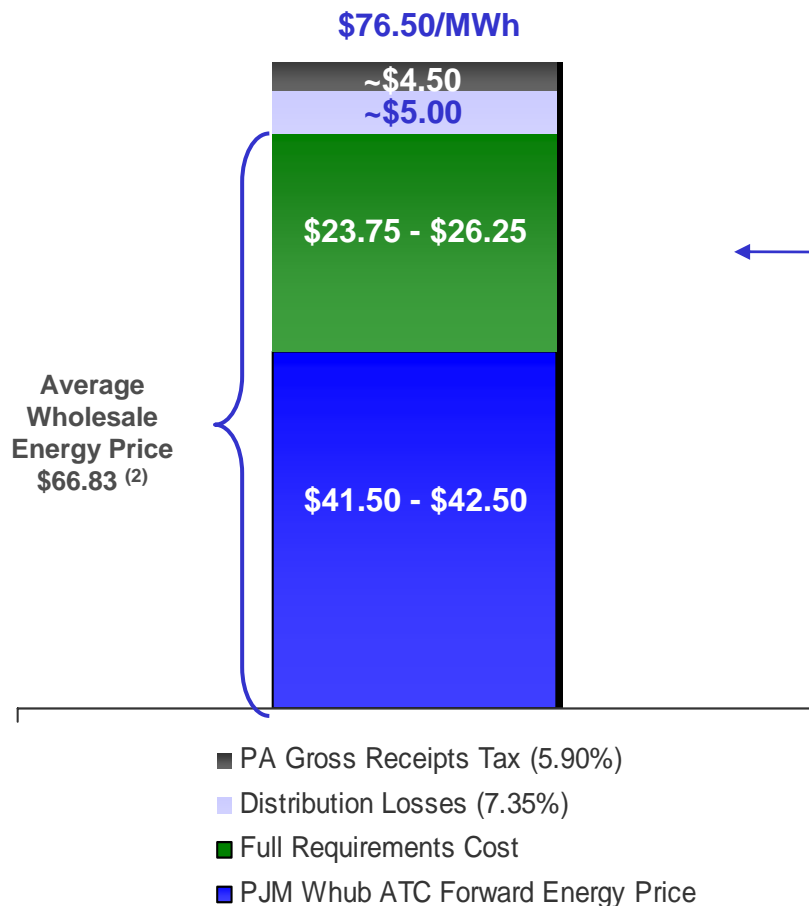
Note: RPM auctions take place annually in May.

For definition of the EPA regulations referred to on this slide, please see the EPA's Terms of Environment (<http://www.epa.gov/OCEPAterms/>).

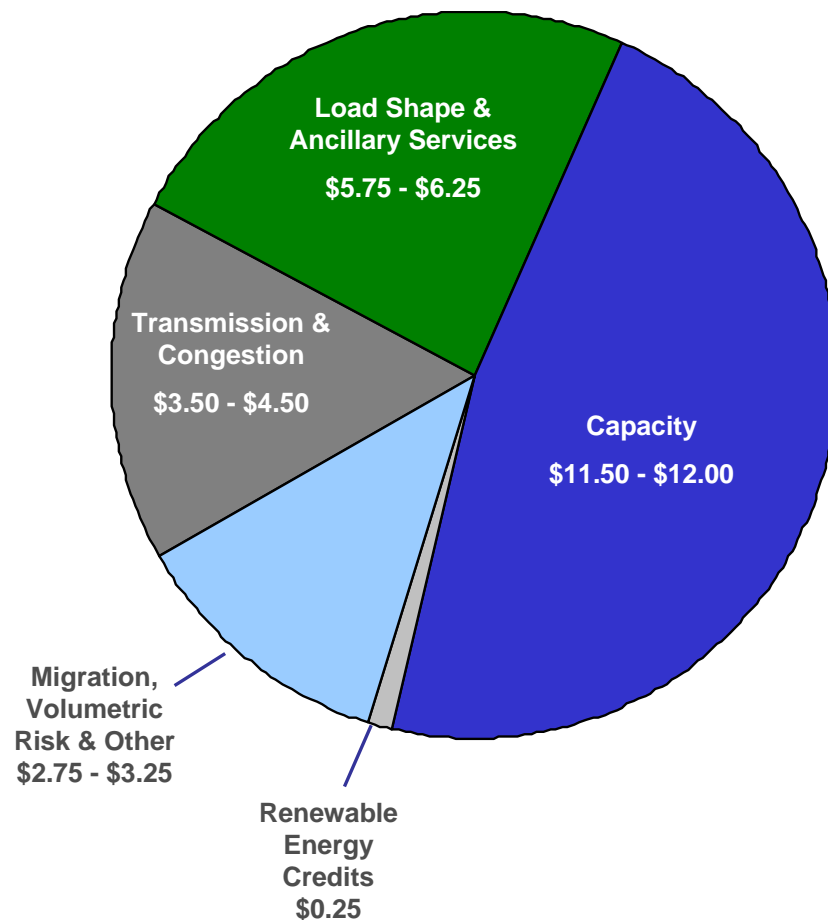
# Estimated Build-Up of PECO Average Residential Full Requirements Price – Fall 2010



## Average Full Requirements Retail Sales Price <sup>(1)</sup>



## Full Requirements Costs (\$/MWh)



(1) As provided by Exelon Generation.

(2) On October 14, 2010 the Independent Evaluator (NERA) announced a wholesale winning bid of \$66.83/MWh for PECO's Fall 2010 RFP Residential Price.



# **Exelon Generation Hedging Disclosures**

(as of December 31, 2010)

## Important Information



The following slides are intended to provide additional information regarding the hedging program at Exelon Generation and to serve as an aid for the purposes of modeling Exelon Generation's gross margin (operating revenues less purchased power and fuel expense). The information on the following slides is not intended to represent earnings guidance or a forecast of future events. In fact, many of the factors that ultimately will determine Exelon Generation's actual gross margin are based upon highly variable market factors outside of our control. The information on the following slides is as of December 31, 2010. We update this information on a quarterly basis.

Certain information on the following slides is based upon an internal simulation model that incorporates assumptions regarding future market conditions, including power and commodity prices, heat rates, and demand conditions, in addition to operating performance and dispatch characteristics of our generating fleet. Our simulation model and the assumptions therein are subject to change. For example, actual market conditions and the dispatch profile of our generation fleet in future periods will likely differ – and may differ significantly – from the assumptions underlying the simulation results included in the slides. In addition, the forward-looking information included in the following slides will likely change over time due to continued refinement of our simulation model and changes in our views on future market conditions.

# Portfolio Management Objective

Align Hedging Activities with Financial Commitments



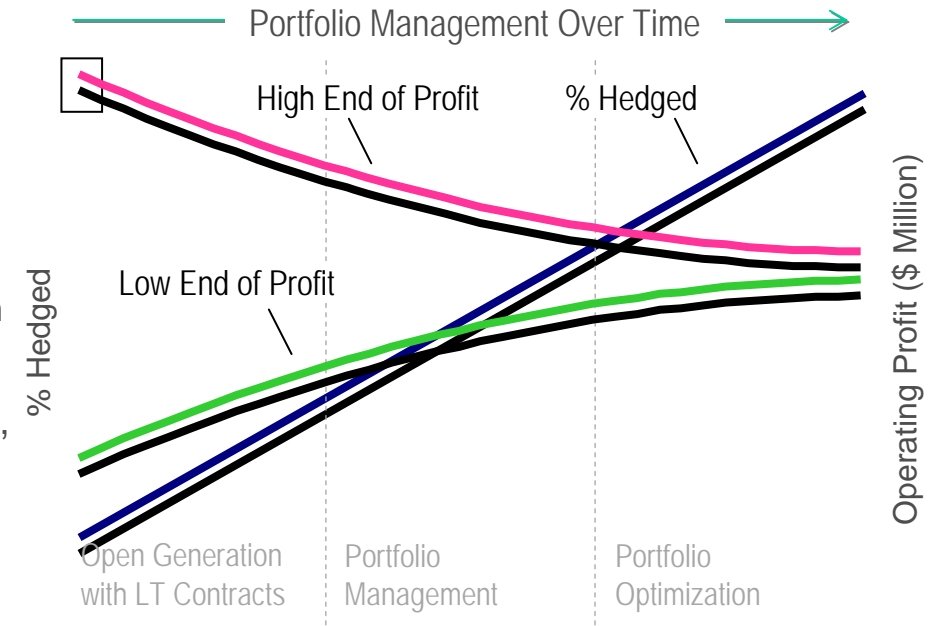
## ➤ Exelon's hedging program is designed to protect the long-term value of our generating fleet and maintain an investment-grade balance sheet

- Hedge enough commodity risk to meet future cash requirements if prices drop
- Consider: financing policy (credit rating objectives, capital structure, liquidity); spending (capital and O&M); shareholder value return policy

## ➤ Consider market, credit, operational risk

## ➤ Approach to managing volatility

- Increase hedging as delivery approaches
- Have enough supply to meet peak load
- Purchase fossil fuels as power is sold
- Choose hedging products based on generation portfolio – sell what we own



## ➤ Power Team utilizes several product types and channels to market

- Wholesale and retail sales
- Block products
- Load-following products and load auctions
- Put/call options
- Heat rate options
- Fuel products
- Capacity
- Renewable credits

# Exelon Generation Hedging Program



## ➤ Our normal practice is to hedge commodity risk on a ratable basis over the three years leading to the spot market

- Carry operational length into spot market to manage forced outage and load-following risks
- By using the appropriate product mix, expected generation hedged approaches the mid-90s percentile as the delivery period approaches
- Participation in larger procurement events, such as utility auctions, and some flexibility in the timing of hedging may mean the hedge program is not strictly ratable from quarter to quarter

### Percentage of Expected Generation Hedged

$$= \frac{\text{Equivalent MWs Sold}}{\text{Expected Generation}}$$

- How many equivalent MW have been hedged at forward market prices; all hedge products used are converted to an equivalent average MW volume
- Takes ALL hedges into account whether they are power sales or financial products

# Exelon Generation Open Gross Margin and Reference Prices



	2011	2012	2013
<b>Estimated Open Gross Margin (\$ millions) <sup>(1)(2)(3)</sup></b>	<b>\$5,200</b>	<b>\$5,050</b>	<b>\$5,700</b>

Open gross margin assumes all expected generation is sold at the Reference Prices listed below

## Reference Prices <sup>(1)</sup>

Henry Hub Natural Gas (\$/MMBtu)	\$4.56	\$5.08	\$5.33
NI-Hub ATC Energy Price (\$/MWh)	\$30.69	\$32.38	\$35.09
PJM-W ATC Energy Price (\$/MWh)	\$45.45	\$46.41	\$48.25
ERCOT North ATC Spark Spread (\$/MWh) <sup>(4)</sup>	\$1.12	\$0.82	\$1.84

(1) Based on December 31, 2010 market conditions.

(2) Gross margin is defined as operating revenues less fuel expense and purchased power expense, excluding the impact of decommissioning and other incidental revenues. Open gross margin is estimated based upon an internal model that is developed by dispatching our expected generation to current market power and fossil fuel prices. Open gross margin assumes there is no hedging in place other than fixed assumptions for capacity cleared in the RPM auctions and uranium costs for nuclear power plants. Open gross margin contains assumptions for other gross margin line items such as various ISO bill and ancillary revenues and costs and PPA capacity revenues and payments. The estimation of open gross margin incorporates management discretion and modeling assumptions that are subject to change.

(3) As of December 31, 2010 disclosure, Exelon Wind included. Assets in IL, MI and MN are in Midwest region and assets in ID, KS, MO, OR and TX are in South and West region.

(4) ERCOT North ATC spark spread using Houston Ship Channel Gas, 7,200 heat rate, \$2.50 variable O&M.

# Generation Profile



	2011	2012	2013
<b>Expected Generation (GWh) <sup>(1)</sup></b>	<b>165,900</b>	<b>165,800</b>	<b>163,300</b>
Midwest	99,600	98,500	96,200
Mid-Atlantic	56,800	57,200	56,500
South & West	9,500	10,100	10,600
<b>Percentage of Expected Generation Hedged <sup>(2)</sup></b>	<b>90-93%</b>	<b>67-70%</b>	<b>32-35%</b>
Midwest	91-94	69-72	31-34
Mid-Atlantic	93-96	67-70	36-39
South & West	70-73	51-54	39-42
<b>Effective Realized Energy Price (\$/MWh) <sup>(3)</sup></b>			
Midwest	\$43.00	\$41.50	\$43.50
Mid-Atlantic	\$57.00	\$50.50	\$51.50
South & West	\$2.50	\$(1.00)	\$(3.50)

(1) Expected generation represents the amount of energy estimated to be generated or purchased through owned or contracted for capacity. Expected generation is based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 12 refueling outages in 2011 and 10 refueling outages in 2012 and 2013 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.0%, 93.6% and 93.1% in 2011, 2012 and 2013 at Exelon-operated nuclear plants. These estimates of expected generation in 2012 and 2013 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Percent of expected generation hedged is the amount of equivalent sales divided by the expected generation. Includes all hedging products, such as wholesale and retail sales of power, options, and swaps. Uses expected value on options. Reflects decision to permanently retire Cromby Station and Eddystone Units 1&2 as of May 31, 2011.

(3) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs and RPM capacity revenue, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

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# Exelon Generation Gross Margin Sensitivities

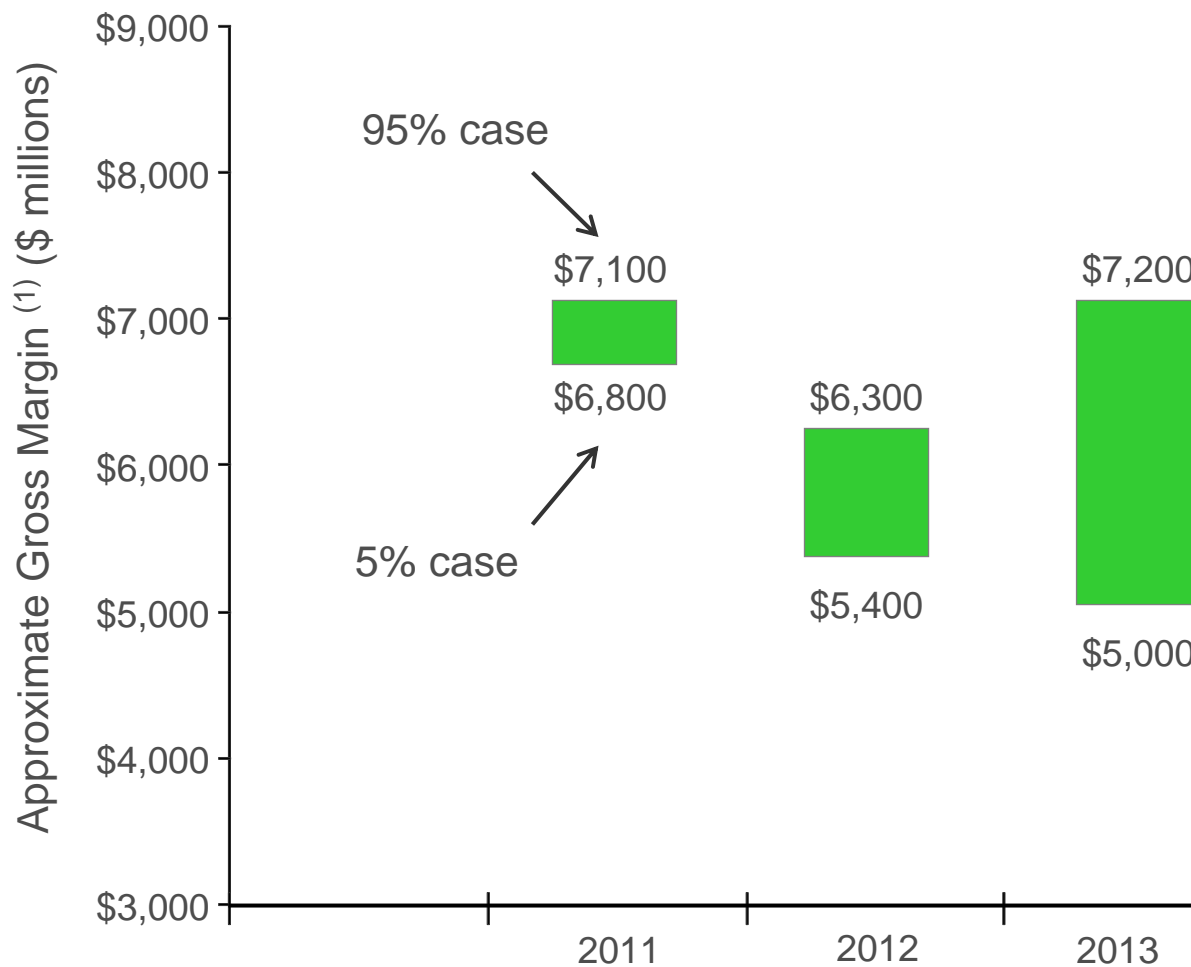
(with Existing Hedges)



	2011	2012	2013
<b>Gross Margin Sensitivities with Existing Hedges (\$ millions)<sup>(1)</sup></b>			
Henry Hub Natural Gas			
+ \$1/MMBtu	\$5	\$175	\$495
- \$1/MMBtu	\$(5)	\$(95)	\$(445)
<hr/>			
NI-Hub ATC Energy Price			
+\$5/MWH	\$30	\$185	\$340
-\$5/MWH	\$(20)	\$(165)	\$(335)
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PJM-W ATC Energy Price			
+\$5/MWH	\$15	\$115	\$200
-\$5/MWH	\$(10)	\$(110)	\$(195)
<hr/>			
Nuclear Capacity Factor			
+1% / -1%	+/- \$40	+/- \$45	+/- \$50

(1) Based on December 31, 2010 market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power prices sensitivities are derived by adjusting the power price assumption while keeping all other prices inputs constant. Due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered.

# Exelon Generation Gross Margin Upside / Risk (with Existing Hedges)



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market. Approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes. These ranges of approximate gross margin in 2012 and 2013 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years. The price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2010.



# Illustrative Example

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## of Modeling Exelon Generation 2011 Gross Margin (with Existing Hedges)



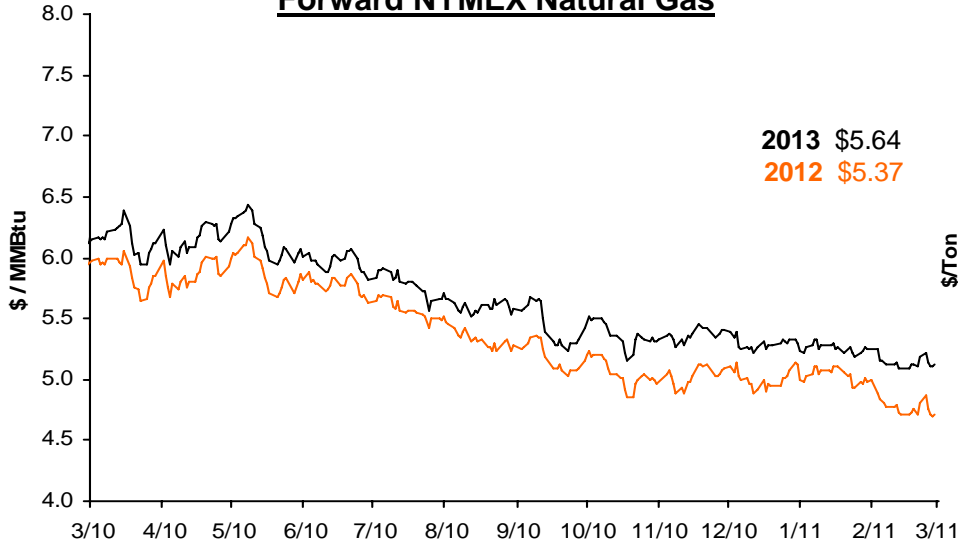
	Midwest	Mid-Atlantic	South & West
Step 1 Start with fleetwide open gross margin	<div> <div></div> <div>\$5.20 billion</div> <div></div> </div>		
Step 2 Determine the mark-to-market value of energy hedges	99,600GWh * 92% * (\$43.00/MWh-\$30.69MWh) = \$1.13 billion	56,800GWh * 94% * (\$57.00/MWh-\$45.45MWh) = \$0.62 billion	9,500GWh * 71% * (\$2.50/MWh-\$1.12/MWh) = \$0.01 billion
Step 3 Estimate hedged gross margin by adding open gross margin to mark-to-market value of energy hedges	Open gross margin: MTM value of energy hedges: Estimated hedged gross margin:	\$5.20 billion <u>\$1.13billion + \$0.62billion + \$0.01 billion</u> <b>\$6.96 billion</b>	

# Market Price Snapshot

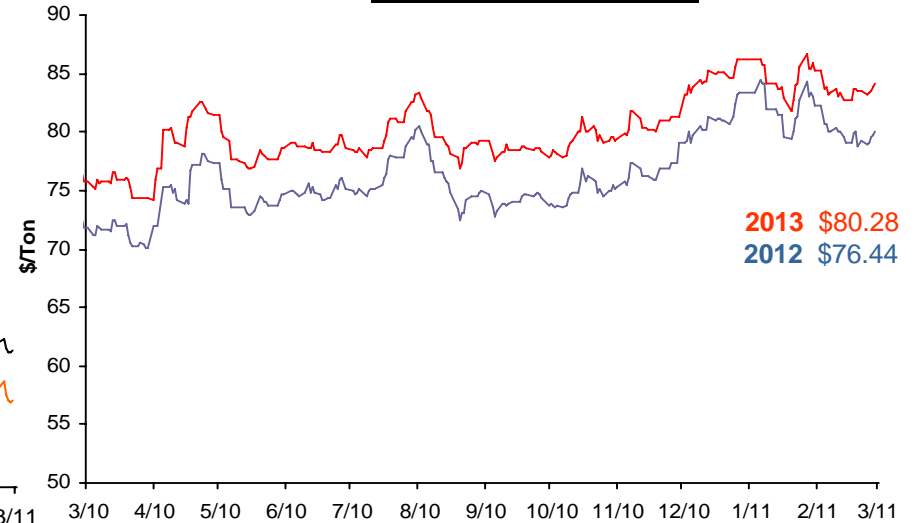
Rolling 12 months, as of March 4<sup>th</sup> 2011. Source: OTC quotes and electronic trading system. Quotes are daily.



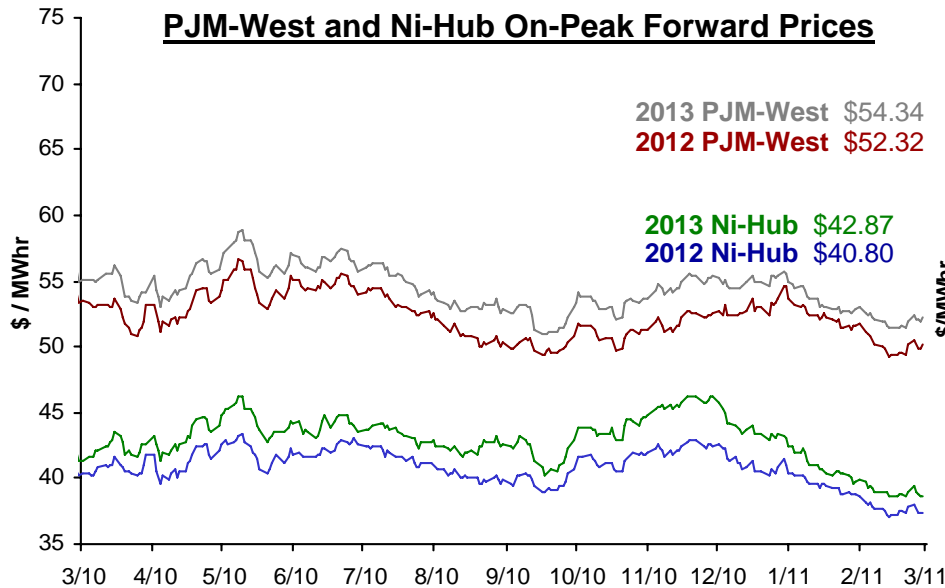
## Forward NYMEX Natural Gas



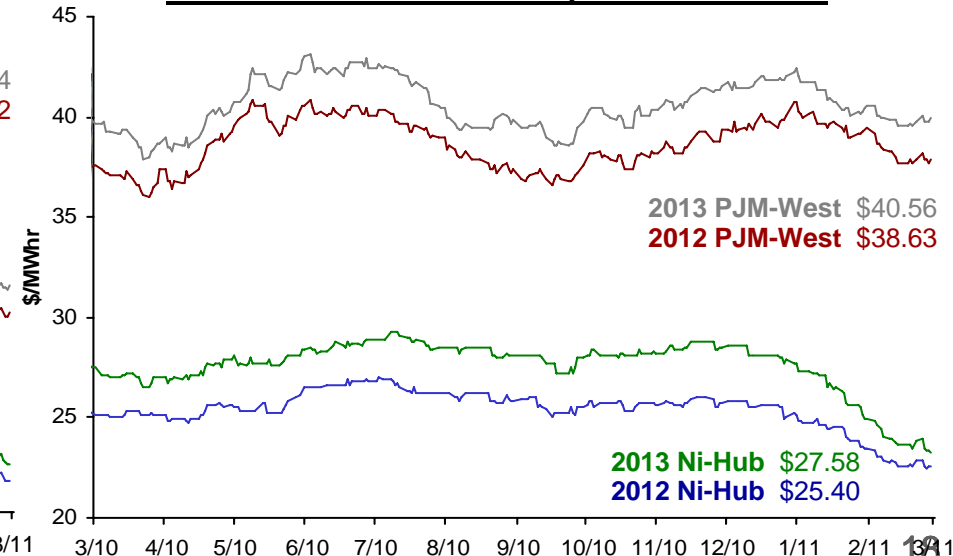
## Forward NYMEX Coal



## PJM-West and Ni-Hub On-Peak Forward Prices



## PJM-West and Ni-Hub Wrap Forward Prices

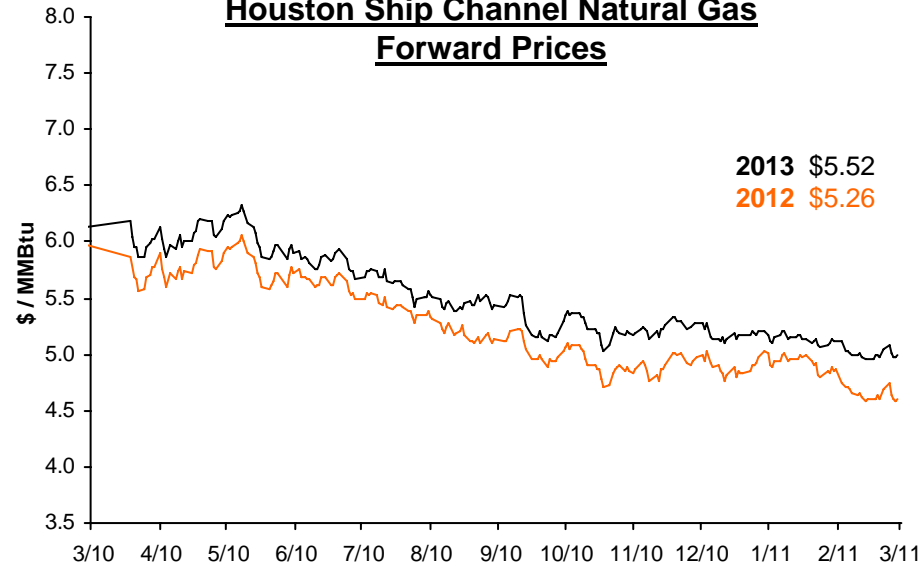


# Market Price Snapshot

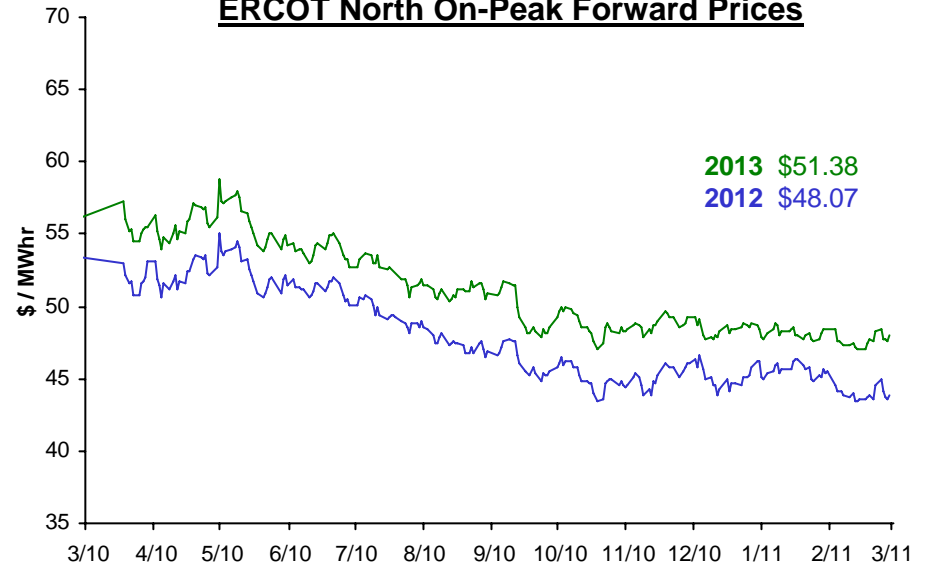
Rolling 12 months, as of March 4<sup>th</sup> 2011. Source: OTC quotes and electronic trading system. Quotes are daily.



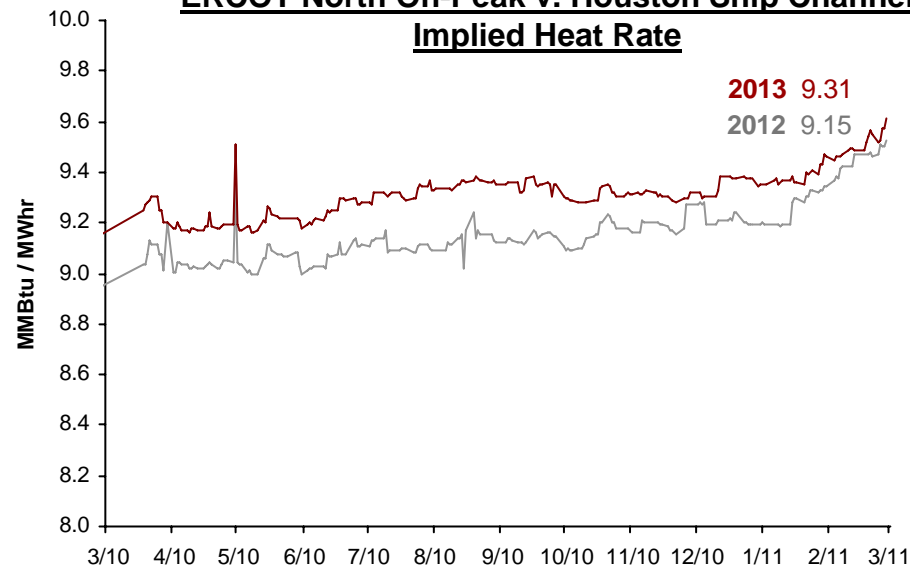
**Houston Ship Channel Natural Gas Forward Prices**



**ERCOT North On-Peak Forward Prices**



**ERCOT North On-Peak v. Houston Ship Channel Implied Heat Rate**



**ERCOT North On Peak Spark Spread**

Assumes a 7.2 Heat Rate, \$1.50 O&M, and \$.15 adder

