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MANAGEMENT DISCUSSION SECTION

Christopher M. Crane

President & Chief Executive Officer, Exelon Corp.

Good morning. Thank you for all being here this morning. We appreciate your attendance. We are having this broadcasted on the web. I'm Chris Crane, the President -- I was going to say Chief Operating Officer, but I've changed jobs since last year, President and CEO of Exelon. With me I have Ken Cornew, our Executive Vice President of our Commercial Group, Constellation; Bill Von Hoene, Senior Executive Vice President of Regulatory Strategy and all things corporate; Jack Thayer our Executive Vice President and CFO.

So thank you again for being here. First for your reading pleasure, we have the forward-looking statement as required that will cover our comments today. As typical, today I'm going to talk about why Exelon is such a great company, which is the presentation you would normally hear from us in a forum like that. But first I want to address an issue that many of you are focused on, and that's our dividend and the comments that I made on our third quarter earnings call.

In prior earnings calls and meetings I've expressed our understanding for our shareholders' desire to maintain the dividend and we've consistently expressed our commitment to that. But many of you have asked the question over the last week, what happened? What has changed, is the dividend no longer a priority? Let me be clear. There's nothing -- nothing has changed about the value and the importance we place on the dividend. It is our second highest financial priority, the first being investment grade.

Let me discuss what's changed. We saw unprecedented volatility in the power markets, particularly in August. Heat rates declined significantly and our fundamentals group couldn't even model, our internal group couldn't even model them as a stress case. Since then, gas and power prices have increased but there has been little movement or recovery in the forward strip on the actual energy prices or improvement in the heat rate. Even the increase in gas prices, power prices are down in 2015 and 2016 from where they were on Analyst Day.

Our margins in retail, as we have disclosed, have deteriorated down. So taking these dynamics into consideration, we started to enact a plan that we've discussed since the beginning of the year which is pulling levers to secure the balance sheet. We removed \$2.3 billion of capital from our financial plan. This was half around deferring our power up rates and the other half was cutting out renewable investment for growth. We identified another \$50 million of O&M savings going through detailed budget reviews with Jack and myself and all the business heads. We completed our five-year long-range plan, which has also given us additional insight into our financial stability over that period in our balance sheet. We have accomplished a lot and we've made some tough decisions.

However, even with all the actions that we've taken, our balance sheet is stressed through a couple of these years. Our FFO to debt is calculated by S&P as on the edge of investment grade. And we have no other meaningful levers to pull. We do have a little cushion in the FFO to debt in some other metrics, but it is very small. And I will tell you that we cannot sacrifice our investment grade rating or I don't think any of you would want us to. It underpins the entirety of the business and we're strongly committed to that.

In the wholesale power market, we expect to see \$3 to \$6 a megawatt hour upside materialize in the forward prices in 2013. While timing of such a market change is difficult, we believe these changes should begin to be seen and take place in the first half of 2013. And in the Q&A, we can have Ken discuss that basis of that theory a little bit more. If it doesn't materialize, our balance sheet concerns have to be addressed, as well as the overhang related to our dividend. Based on our internal view, today we believe that the markets should recover. However, if we do not see heat rates recover and gas holds firm, assessing the dividend is the right decision for us as management and for our Board of Directors.

The next question you've asked is why six months: why would you reduce the dividend in six months; your 2013 financials support the full dividend of \$2.10. But first of all, I did not say we will reduce the dividend in six months, I said that we would address the dividend and the dividend policy in six months. We had a two-day conversation with our Board of Directors. We went through the reality of the financial outlooks, the upside, the downside, and the Board, we committed to the Board to be back to them in six months to discuss it. If we're telling our Board we're going to be back in six months to discuss it, we're going to tell you we're back in six months to discuss it.

We have always said before and we'll continue: we do not want to surprise anybody. We don't want to overreact, but we do need to have time to see the market recover. With the uncertainty about the dividend, with the overhang, we don't want that to be a diversion for years to come, is another point. There is no magic to the six months, and we believe – but we do believe it gives us time to watch the market. It gives us time to look at if current gas prices hold or if the current levels are temporary. Could storages increase over a warm winter, or storage decrease and the market respond to that?

It gives us time to watch the retail margins recover as we go through the selling season. The fourth quarter of each year and the first quarter are heavy selling seasons, when the retailers will be in to cover their book on their forward sales on a two-year, typical two-year contract basis, so it gives us time to see that. And it also gives us time to see the heat rates and the power prices improve as additional capacity is being retired on the forward strip. So we believe that all of these things should play out favorable, but if they do not, we'll need to begin the evaluation process that could lead to a tough decision on the dividend.

The last question you've asked, if the dividend's reduced, what level would you reduce it to? First, I've got to go back and say we have not committed to reduce the dividend, we've committed to evaluate the value return policy. But I don't want to jump too far ahead on that. We need the next six months to play out and see what actions are necessary to take. Jack Thayer has a team that's working now to continue to benchmark and gain insights. If action is required to take, we need to be able to state a very well-balanced value return policy. And that's what we're looking at right now.

So Exelon has a strong commitment to financial discipline. We understand the importance of the dividend to our shareholders and we will continue to focus on that. We are taking the right actions to analyze and ensure the long-term financial strength of Exelon, and I believe we will continue to be as transparent as can be.

So with that, I'm going to switch gears to our normal presentation that's more around the performance. As you can see from this chart, we've made good progress on our internal checklist for the merger integration. We're on

track to achieve the run rate synergy target of \$500 million, and as I've said earlier, we have identified an additional \$50 million of savings. As of September 30, we have eliminated \$2.7 billion of the \$4.2 billion of the credit facilities that we expect to reduce by year end. Ken and his team have done an excellent job capturing revenue synergies from the combined commercial business platform. Our view on generation-to-load matching is playing out very well, as we've demonstrated by our year-end financial performance.

We're meeting our merger regulatory commitments, including the execution of our sale agreement for the Maryland coal assets, and we expect that transaction to be done by year end. Also in Maryland, we filed our BGE rate case in July of this year and expect an order from the Maryland Commission by February of 2013, with rates effectively the same -- with a rate effective, process -- that same month. We've recently updated our ask for the revenue requirement to \$176 million from our \$205 million in the original filing. This reflects the update of the actual results of the test period that we had to file in.

The only item on our initial checklist where we're not realizing the initial targets is the area I highlighted a little bit earlier: the competitive load business has faced fierce competition. We do expect growth in this business but at a much slower pace. Both retail and wholesale markets have been impacted by aggressive, competitive behavior in pricing. We maintained a disciplined approach. The approach has resulted in us not winning many of the recent RFPs in certain competitive procurements, particularly in Illinois on the muni ag space.

Our recent experience has tempered our near-term and mid-term outlook for retail. The impact of the degradation in the retail market can be seen in 2013 and 2014 through the reduction in the Power New Business/ To Go bucket in our hedge disclosure in the appendix. This decline is a combination of decreased volume and, as well as lower prices.

As we move into the selling season, as I mentioned, early in the fourth quarter of 2012 and 2013, we will gain more insights into the trends of the margin volumes. Our gross margin forecast assumes that the margins return to a more rational level, but if they do not, we will be revising our forecast in that area. We do believe our disciplined pricing approach is more important to sustain value creation than creating short-term opportunities. We do expect retail to support growth in our Commercial business and serve a key channel to market.

Let me spend a little time on our regulatory themes that are impacting our business. We recently -- we've been heavily engaged in the advocacy of the competitive market, but a number of positions that we've been taking lately will help enhance the integrity of the competitive market and create shareholder value. First, our belief is that the proposed modification of the Minimum Offer Price Rule, the MOPR will enhance the competitiveness of the auction and appropriately apply the minimum offer level to the state subsidized projects. We expect the new rule to be implemented in advance of next year's capacity auction.

Second, in Texas, we have a sizeable gas fleet that we're growing there. We're encouraged by the progress being made in identifying reliability solutions and we expect one of the five alternatives to be selected by year-end. Of course a list of priorities, not all-inclusive; we're engaged on many fronts in the regulatory and legislative space, primarily around what's going to happen in Washington and on some other state levels.

Exelon has a strong financial performance year-to-date. Revising our earnings guidance of \$2.75 to \$2.95 per share on the third quarter call does incorporate approximately \$85 million of incremental O&M costs related to the impact of Hurricane Sandy and our capital costs are expected to be around -- for that storm -- expected to be roughly around \$50 million.

The merger is working. Our integrated -- our operations are integrating seamlessly. We're successfully executing on the merger and meeting the commitments. We remain focused on improving our financial performance at our

utilities while growing rate base in a prudent manner. In the wholesale power market, as I've said multiple times, we expect a \$3 to \$6 upside to materialize in the forward markets in 2013.

So in closing, I want to emphasize what you all know about Exelon. We are a world-class operator. We have a portfolio of low-cost, durable assets that are ready to weather the challenging conditions. We have an unparalleled platform with our national scope and unique generation-to-load matching business. Our utilities are on path for a much stronger financial future and we have a commitment to financial discipline. I'm confident that we're undertaking the right actions and that we'll continue to analyze to ensure the long-term financial strength of our company.

So with that, I would open it up for questions, for myself or my buddies up here. Any questions? I think they're going to bring a mic over.

QUESTION AND ANSWER SECTION

Q

Hi. Good morning. Thanks. When you're looking out and reviewing or assessing that dividend with the Board, how far out are you looking in terms of securing that financial health? Are you looking three years out? Five years out? Seven years out? Give me a sense for that?

Christopher M. Crane

President & Chief Executive Officer, Exelon Corp.

A

Sure. We do our financial planning on a five-year basis, so we take the market forwards and we analyze those. We do a 5% and 95% stress case to see what the potential downside is and what the potential upside is. In our financial disclosures, you can see what we look at as the open gross margin for that variability over a three-year period, but we're looking internally over a five-year period.

Anybody else? Right over here.

Q

If you expect a \$3 to \$6 price increase, why would you lock in your hedges? Are those realized? Or what – and I guess two parts to that question, what do you think the market is missing that'll be clear out there at that timeframe to --?

Christopher M. Crane

President & Chief Executive Officer, Exelon Corp.

A

I'll let Ken go through that.

Kenneth W. Cornew

Chief Commercial Officer & Executive VP, Exelon Corp.

A

First off, from a hedging perspective in 2015, we're 21% to 24% hedged. You can see that in our disclosure. We have chosen to do some cross-commodity and option strategy hedging in that 21% to 24%. So we really aren't locking in a substantial amount of our portfolio there right now. And we are being relatively stubborn about

selling power while we're not seeing \$3 to \$6 materialize. The \$3 to \$6, from our perspective, is a reflection of over 20,000 megawatts of generation that's going to retire in PJM in 2015. It's a step function change that we don't often see in the industry in the generation stack. And we just believe that there aren't a lot of buying and selling opportunities out there in the 2015 and 2016 timeframe right now.

As we walk closer to that timeframe and we start to see buyers, whether they be retail buyers to serve load or POLR auctions or other wholesale structured products, we believe we'll start to see buyers and sellers come into the 2015 market in 2013. We've seen it in the past. That tends to be how buying and selling occurs in our industry. So we expect to see with that big step function change a \$6 increase or so, maybe even more, in NI Hub. And we expect the increase to be tempered in the East to the \$3 range.

Christopher M. Crane

President & Chief Executive Officer, Exelon Corp.

A

But the one thing that Ken and his team are looking at is that third year out and believing that 2015 is somewhat of a unique year where you have the low gas prices, but you also have the retirement of the coal units that we don't think are being adequately priced in. So he's actually gone a little bit below the ratable. He has the capability approved by the Risk Committee of the Board to do that. And we'll continue to watch that so we'll be ready to go into the market in a more aggressive way if we see the prices recover.

Other questions? Sure.

Q

Where are you seeing the most margin pressure on the retail side? What area, geographically?

Kenneth W. Cornew

Chief Commercial Officer & Executive VP, Exelon Corp.

A

Margin perspective retail-wise, early in the year we were seeing margins that were reflective of the \$2 to \$4 range we gave at Analyst Day and the margins in the market for both residential and commercial/industrial space were relatively stable. As we came into the summer, there was less commercial and industrial activity and we really started to see the aggressive competition on margins happen in government aggregation space in Illinois. And that has made its way over into industrial and commercial space in the September timeframe. Again, many customers are starting to now buy power, commercial/industrial customers are starting to now buy power for delivery starting in January, and they'll continue to do so through the first quarter of next year for potential delivery starting in June. So the big buying and selling season is coming up. So we'll be watching it very carefully.

Christopher M. Crane

President & Chief Executive Officer, Exelon Corp.

A

Other questions?

Christopher M. Crane

President & Chief Executive Officer, Exelon Corp.

Seeing none, again, I do appreciate, and the whole management team appreciates, your attention today. As I reflect on what we're talking about, it seems a little gloomy, but we, as I said, are world-class operators with the best assets in the business. We are going to be as transparent as we possibly can to give you all the information that we have. We do see upside in the sector. We do see upside for Exelon and we will manage the business to be able to capture that upside.

So with that, thank you very much for coming. We appreciate it. We'll be around up here if anybody has any individual questions.

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