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Inc. Alternative Energy,
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Conference
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May 12, 2011

*Date▲***MANAGEMENT DISCUSSION SECTION****Jonathan Arnold, Analyst, Deutsche Bank Securities**

Okay. So we're going to get started now with our next presentation, which will be Exelon and we are delighted to have Bill Von Hoene, who is EVP of Finance and Legal for Exelon. There's obviously a great deal going on with the company. They've brought a team of people with them. We're looking forward to an update and I'll hand straight to Bill.

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

Thank you very much, Jonathan. It's great to be here and thank you all for attending this afternoon. We do have a little bit going on. So we're going to try to capture that for you in about 15 minutes and then leave some time after that for questions.

Before we start, I do want to introduce the other members of our team, who are here. In the middle over here is Andy Swaminathan who is our Vice President of Fundamental Analytics and Trading at power team. Immediately next to me is Joe Simmons who is our Director of Fuel Operations and who has also been on a special assignment of sorts with regard to our environmental. And if you have any questions, Joe will be a good source on that. And then finally, Melissa Sherrod, who is sitting in the front row here, who is our director of Investor Relations.

Before I go forward, let me go through and ask you to note that we've included forward-looking statements. I think when you are doing a transaction, the forward-looking statement rule gets a little longer, so we have a few pages of that and we appreciate your indulging that length.

I'm pleased to speak today about our transaction with Constellation, which we announced late in April. As most of you know, we announced that we would combine the two companies in an all-stock transaction. Under the terms of the agreement, Constellation shareholders will receive 0.93 shares of Exelon stock for each Constellation share that was about an 18% premium off a 30-day average on the day before the transaction was announced.

The new company will maintain the Exelon name and with its headquarters in Chicago, we will have substantial presence in Illinois, but in Pennsylvania and in Maryland as well. The utilities will remain headquartered where they are currently and the Constellation headquarters, which will include our retail and wholesale -- excuse me, combined businesses will remain in Baltimore.

One of the features of this transaction with which you are aware is that it also reflects a transition in leadership at Exelon. Upon the consummation of the transaction, John Rowe, our Chairman for the last 14 years and CEO will retire, will mark 28 years in the industry, a remarkable career as a CEO in the industry and the leadership will transform over on the Chief Executive Officer, to Chris Crane. Currently, the President of Exelon and the Executive Chairman will be Mayo Shattuck, Constellation's current CEO and Chairman.

We have had the opportunity to discuss this transaction with several investors or actually many investors over the last couple of weeks and the reaction has generally been positive. The strategic rationale, the fit for the transaction is clear and the transaction creates value for both company shareholders. The merger brings together the industry's leading clean and lowest cost merchant generating fleet in Exelon and the nation's leading retail and wholesale customer platform in Constellation.

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We believe that adding Constellation's retail customer-focused business will give us incremental opportunities to optimize the value of the Exelon clean fleet and the generation position. The combined company will be the largest merchant generation fleet in the United States and will be the number one retail provider in the country as well combining Constellation's existing number one position and our number 10 position.

It significantly advances the strategies that each of us had on our own. And if you look back and see some of the things that we have talked about, Exelon has talked repeatedly about its desire to increase its retail presence and we've talked about the growth of that being fairly dramatic in the next couple of years through indigenous growth. In turn, Constellation has looked at its strategy and said what it wants to do is create -- acquire additional generation for the support and for the interplay between that and its retail business and it -- do that indigenously.

By this transaction, we've been able to greatly accelerate those two strategic processes in a combination that we think is very strong.

The merger diversifies generation by source while maintaining our position as the largest nuclear generator in the United States and a very clean fleet overall. It will add 1900 megawatts of nuclear generation from Constellation's partnership with EDF, those are units that are run extremely well in terms of capacity factor as are ours, and that will be a powerful additional combination. We seem to go back and forth as to who has the greatest capacity factor in the industry year after year. And it will also be a very, very clean stack, and as we look at what's happened in EPA as we look at what has happening both short-term and long-term we think that that will have real meaning.

Additionally, the renewable platform that the companies are developing individually will be collected with our wind -- recent wind acquisition, Constellation, solar and wind ownership being very, very important.

The transaction rationale for us, those of you who have followed us for a long period of time know how we have talked about mergers and acquisitions. We have looked, number one and number one -- number one for value. And what we have told you is that a transaction for us must be accretive, it must be EPS accretive, it must be cash flow accretive, and it must bring value to our shareholders. The other things that we've talked about in recent years that we have focused on are execution, ability to execute a deal and I'm going to talk about that in some detail in a moment, and also create value for our shareholders in terms of the clean technologies and the clean generation that is the hallmark of the Exelon fleet.

This transaction is cash flow accretive in 2012 and more than 5% earnings accretive in 2013, and that includes the impact of estimated purchase accounting adjustments.

We retained the upside to power market improvements that make us best positioned in the industry, we believe, for a power market recovery with 50% of the EBITDA of the combined company projected to result from the competitive businesses. And that's in 2012, where we anticipate to be a lower year of gross margins of generation as the power markets recover, we'd expect generations earnings to resume the higher position in the company that they've enjoyed historically over the last few years.

We expect to close the transaction in the first quarter of next year. We base this primarily on the fact that the most challenging regulatory approval we believe we will have is in the State of Maryland. Given history and given Constellation's location there, there is a statutory calendar in Maryland. The transaction must be approved in 7.5 months, including a statutory extension or it is deemed approved. So we have geared all of our activity and all of our closing strategies to that calendar, which gives us our expectation that we would close in the first quarter of next year. We

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believe we have taken very, very careful, very deliberate and very thoughtful steps to be able to do this successfully within that period of time.

Of course, a great deal of that and a great deal of whether we do that well or not depends on the perception of whether this is a good deal for Maryland, where the regulatory body and the elected officials will weigh in on a transaction. And we've spent a lot of time both with our partners at Constellation and with outside advisors who are wise in Maryland politics and Maryland regulatory landscape to put together a package that generates clear benefits for all stakeholders, including the state of Maryland, the city of Baltimore and BGE customers.

Baltimore will be the home for growing segments of our business. We will either build or refurbish a new headquarters there to be the home of the retail and wholesale businesses and power marketing operations along with our renewable energy headquarters. This was a very important part of making sure that we continue to support the economic development and employment in Baltimore that is so critical to the reception or the receptivity that we will receive from those who will weigh in on this transaction.

We'll provide direct benefits to BGE residential customers through \$100 rate credit to each, which is scaled up considerably from recently approved transactions in the state. And if you look carefully at what we have laid out in terms of this program, our starting point was the Allegheny-FirstEnergy approved merger, the 21 conditions there we have agreed to honor all 21 of those conditions and where there are financial pieces to it, what we've done is sized it to the size of this transaction. And then to put on top of that, we've customized this to address some of the things that are most important to the Governor, to the Mayor and to the regulators in terms of renewable energy and economic development.

We are providing low-income assistance in developed renewable strategy, electrical vehicle structure and support for the state's energy efficiency programs. We have people on the ground in Maryland living there continuously and will work closely with the stakeholders in Maryland throughout this process. And at the same time, while we do not require approval in Pennsylvania or in Illinois, please rest assured that we are continuing our outreach in those jurisdictions as well to ensure that we have the tranquility that will be necessary to make this successful not only in the next 7.5 months, but on the long-term.

One of the key features that I alluded to at the beginning is that the combination has regional diversification and generation and customers for both companies. Exelon's generation portfolio as you can see here particularly in a couple of areas that we have focused on is well situated, particularly in PJM to serve a variety of customers in the mid-Atlantic and Midwest regions, where we pursue both wholesale and retail load following sales.

Retail load following sales offer opportunities to add margin, amount of required credit facilities and associated costs and increase credit diversity. Exelon's generation portfolio can handle a large load following position as demonstrated by our previous load following supply arrangements with ComEd and PECO.

As I mentioned before, we previously shared with you our plans to increase our Exelon energy retail business significantly over the next few years. We are now going to do it in 7.5 months and constitutions -- or excuse me Constellation's new energy leadership position provides a platform to do just that.

The transaction economics, simply stated, that the two companies will create opportunities for cost savings to improve profitability. We expect the combination to generate \$200 million of synergies in 2012 in the first year or the first three quarters of the year, ramping up to run rate synergies of \$260

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million thereafter beginning in 2013. To achieve these cost savings, we expect to spend approximately \$500 million primarily -- \$500 million, excuse me, primarily in the first couple of years after closing.

About 75% to 80% of the estimated synergies, we expect to come from efficiencies gained, from corporate consolidation, the integration of the trading platforms including the elimination of overlap and duplication. And from the facts as you've seen -- and I know all of you have looked or have been told about our slides when we announced the transaction, our ability to rightsize the credit facility for the generation companies and for the parent companies. Those current credit facilities in combination are about \$10.2 billion. We'll be able to take \$3 billion to \$4 billion off of that in the costs that are associated with that of the top.

Let me just turn for a second to the announcement that we made this morning before opening this up to questions. And I want to start by saying we've had a lot of questions this morning, was this part of the Constellation strategy we'll follow? It was not a part of the Constellation strategy. We think it's complementary to what we're doing in Constellation, but this was a process that we pursued independently of Constellation, which reflect some of our views about marketplace in Texas, our ability -- our views about clean energy and our views about opportunities independent of Constellation. We have reached an agreement to purchase Wolf Hollow, it's a 720-megawatt combined cycle natural gas facility in Texas.

This will of course expand our current footprint in Texas of about 2200 megawatts, we got it at a very favorable price, it brings fuel diversity to Exelon's fleet and builds on the merger strategy of matching generation and load. We have presently a 350-megawatt PPA for the output from this facility that is above market prices. So the transaction will eliminate the PPA upon closing, which would not otherwise expire until 2023 and positions us to maximize the value of the entire output of 720 megawatts from the plant.

This is not a needle mover in terms of the transaction, but it's a part of an overall strategy that I've tried to outline this morning. We think it will be modestly accretive to cash flow beginning in 2012 and neutral to earnings in the near term. We plan to fund this and the total cost was \$305 million, is \$305 million through a combination of existing cash flow and liquidity resources, there will be no material impact whatever on our credit ratings as a result of that.

The transaction is subject to approval by the Department of Justice, the DOJ process and also by the Texas Public Utility Commission as is by the way that Constellation transaction, and we would anticipate to receive both of these approvals within the third quarter of this year.

So I've talked a lot about the merger today, and before close, I just want to say something more generally about Exelon because those of you who are our shareholders I think hear this message repeatedly, we want very, very much to keep our eye on the ball, we understand the basic value proposition of Exelon is enormously valuable assets, run as effectively, efficiently and safely as they possibly can protecting upside and continuing to deliver a dividend yield that is a reward in the period of time as the upside emerges in the future.

Our first quarter results positioned us for a very strong year. We delivered operating earnings, which stems primarily from Pennsylvania bonus depreciation in O&M, and weather conditions in Texas, which enabled us to earn significant margins on our Texas portfolio that were above what our guidance had been for the first quarter.

Tomorrow, PJM, as all of you know will release the results for the RPM capacity auction for 2014/15 planning period. We expect the results to give some transparency into how generators will comply with environmental regulations and the impact of the new demand response products

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approved by FERC earlier this year and we'll have comments on that next week, which we will share with you.

2011 will be a good year for Exelon both on a standalone basis, but also as we continue the process of bringing together our company with Constellation to be the premier competitive energy provider in the country. We're creating value for both sets of investors right away and building a platform for continued future growth. With that, Jonathan, I will turn the floor over to questions. And again, I appreciate very much all of your attention and interest in our company.

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<Q – Jonathan Arnold>: Bill, if I could, can I start on one thing that you didn't mention in the prepared remarks, but just the -- your pending legislation in Illinois and Governor's statement that he wouldn't sign it. Can you give us any insight into what might it take to get him to sign it and where you stand?

<A – William A. Von Hoene Jr.>: Yeah. The form of the -- this is House Bill 14, which as many of you know essentially has two very significant elements to it. One element of which would be a capital program, a 10-year capital program for modernization of a system in the Commonwealth Edison territory and the second would be a formula rate or a formula rate like regulatory construct, which would assist us in getting predictable earnings and having the ability to make capital expenditures in a thoughtful and a confident way.

The version of the bill that the governor commented on is subject to some revisions that are taking place. We are in negotiations now. We will go through those negotiations. A time table on this is relatively short because the session is ending May 31 and they still have to deal with redistricting between now and the end of the session. So we would expect there to be clarity as to whether we can get something together, something together that would pass over the course of the next couple of weeks, if not a shorter period of time, and what the Governor wants in this was not entirely clear from his message.

We're in discussions with all the interested parties to see if we can reach an accommodation. We will not reach an accommodation on a bill that does not deliver the basic values that the bill was designed in the first instance to deliver, but obviously there is room in any legislative construct for some meaningful give and take, while still preserving the basic values of the bill. So more news shortly, I think is the short answer to your question.

<Q>: Thanks, Jonathan. We'll take the second question.

<Q>: My first question relates to the terms of the merger, and you mentioned very clearly how you looked at the 21 conditions that were applied in the Allegheny merger. There's been some talk among the people that I've talked to in the financial community about the fact that if you give them everything now upfront, what's left for negotiation when the commission comes back to you as other commissions have done in various jurisdictions over mergers and says, okay, you're willing to give them \$100 million for the customers, how about \$150? What are the deal breakers in there that, improving on those terms?

<A – William A. Von Hoene Jr.>: Yeah. Yeah. Well, we understand that the process, the process that will go forward now is a process by which there will be negotiation, there will also be once we file our application in Maryland, a lot of testimony. We will submit testimony simultaneously with that filing, then there will be intervenor testimony in which intervenors, staff and a variety of other parties will say this is how we think the deal meets -- better meets the Maryland standard for approval.

We felt it was very, very important to come out the door on this with a proposal that would keep minds open in Maryland that would have the governor, the board, the mayor, a variety of other interested parties convey to them our seriousness about being a partner in Maryland, about being a meaningful participant in the Maryland economy, about addressing the concerns in terms of basic energy policy that they have found to be the most significant ones, and that's what we've tried to do in connection with that.

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With regard to where negotiations go, we will look at how that testimony comes in, we'll look at how those discussions go, we will continue to try to, as we have done in the first instance, design this so that the value for the companies, for the shareholders is preserved and the stakeholders in Maryland find the deal to be satisfactory.

But beyond that, we've just started out, it's a long road, we understand it's a long road, we understand we've just started. We understand that we have a lot of work to do, but I think the basic work here is not that the deal is -- the richness of the deal, that's not the basic work here. We put out a really good deal.

The basic work here that we have to do is we have to demonstrate that this is good for Maryland, that we are a company that comes in that we will do in Maryland what we did in going into Pennsylvania when we merged those two companies, that it will be positive for the state, that we will be responsive to its needs and that what we put on the table reflects that. So I'm confident that in the negotiation process we can get to the finish line.

<Q>: Thank you.

<Q – Jonathan Arnold>: Bill, can we -- on the statement you've made about accretion from the merger, the greater than 5% in 2013, I think that -- and you've said that includes the estimate of purchasing accounting adjustments.

<A – William A. Von Hoene Jr.>: Yes.

<Q – Jonathan Arnold>: I can't remember -- have you told us whether those are positive or negative, your estimate.

<A – William A. Von Hoene Jr.>: We have said they are basically not material...

<Q – Jonathan Arnold>: Right.

<A – William A. Von Hoene Jr.>: ... so they're not material. So this is both ways. We've done a pretty good look at the purchase accounting, it's not a substantial mover in the deal channel or in the economics of the deal.

<Q – Jonathan Arnold>: I have one other larger issue I wanted to mention, I am a studious reader of some of these filings, you have to make the various presentations that have been made around the company, one thing that caught my eye was in your communication with your nuclear organization, there was a lot made of the EDF tie-up and the opportunities that that might present. Can you maybe speak a little bit of what you, for our benefit just where you see those and what exactly you're referring to?

<A – William A. Von Hoene Jr.>: Yeah, we -- EDF is a 7% shareholder in Constellation. They are one of the entities that we have to persuade that this is a good deal on that front. They obviously also own just short of 50% of the Constellation nuclear assets. So our 1900 megawatts that we are acquiring is net of their interest in those five units.

We have talked to EDF once we made the announcement here. We had a very congenial conversation. We anticipate being able to work closely with EDF. As I said, those units are running very, very smoothly. So this is not a we're going to come in and fix something situation, you'll recall in [ph] Peggy [23:05] we had a very different kind of dynamic with that, but Jonathan, that's really going to have to unfold over time. We need to get this transaction done. Our focus needs to be on this transaction.

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This is what we have told folks. We see on the other side of this, a collaboration that will be very helpful. How it unfolds over the course of other years, it just remains to be seen. But we don't see any roadblocks in the way. We see them as a good positive partner. We see them as committed to the best possible efficient, and safe operations of these plants and a very positive piece of this in that regard.

<Q – Jonathan Arnold>: Anyone else? Okay, with that -- okay, thank you, Bill.

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

Thank you very much.

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