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Energy/Power Conference  
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Sep. 15, 2010

*Date▲***MANAGEMENT DISCUSSION SECTION****Daniel Ford, Analyst, Barclays Capital, Inc.**

All right, everyone, our next presenter will be Exelon Corporation. We've got Bill Von Hoene, who is our Executive Vice President of Finance and Legal, as well as Joe Nigro from Power Team.

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

Thanks very much, Dan. I appreciate the opportunity to speak here. And this is, as always, a terrific conference, so we congratulate you. Ted, thanks to you for your work with us now, and throughout the year and to your entire team Greg, Ross, Beth and Noah just a great job. So, we're pleased to be here and I appreciate all your hard work.

Dan introduced Joe Nigro, who is sitting up here with me. Joe is, as Dan said in our Power Team, and I'll ask Joe to answer questions today if we have them at the end on Power Team issues and market issues to help round this out. I also wanted to introduce my other colleagues here today; Paul Mountain, who is our Manager, Investor Relations, who is down here in the second row, and Sandeep Menon, our Principal Analyst in Investor Relations. So thanks to both of you as well for your hard work in getting us prepared for the conference.

The – we'll start with the – in my former world as a lawyer, although I'm still a licensed lawyer, the forward-looking statements, which is very important, sometimes, somewhere down the line just reminding you that this presentation contains forward-looking statements and tells you where you can find additional information about risk and uncertainty.

Today with that being said, I want to cover four topics before we open this up to question – to questions. First, I'm going to talk a little while about our improved outlook and relationship to the EPA regulation that has had so much discourse in our field. As you know John Rowe, our Chairman discussed this on the second quarter earnings call. I'm going to elaborate a little bit upon what John said, and I'm really going to focus on four things in doing so.

Number one, rules, these rules are going to happen. There is not uncertainty about their happening and they are going to happen and they are going to have implications sooner than people think. Second, that retirements of coal plants are inevitable as a result of these rules. Third, that power and capacity prices will respond to those retirements. And fourth, and in what will be an emerging issue that reliability as a result of the pattern that is going to come from the EPA implementation will not be a material issue.

The second thing I'm going to discuss today is our Deere wind project of which I know all of you are aware and I'll talk about how it met our financial criteria and why it is a financially positive piece for Exelon and how it is a demonstration of our financial discipline and looking at acquisition activities and I will also talk about some of the important policy and strategic implications and considerations that were served by it.

Third, today I want to touch on the regulatory relations in Pennsylvania and Illinois and give you an update on some of the features there that evidenced the hard work we've done over the last several years to solidify those relationships. And finally, I will conclude today talking about how our dividend and our dividend yield interfaces with our underlying strength as a company.

So let me with that turn to the first subject matter, which is the EPA regulations. I want to start with the revelation that will be undoubtedly news to all of you. It appears that cap-and-trade legislation in this term is over and dead. We don't harbor any allusion about its resurrection in this term, we

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understand, we believe it was good for the industry, it was good for the country, but we understand the political realities.

With that having – and we also understood and we were very public and transparent about what it would mean – have meant to Exelon and we're able to quantify that for you. But it doesn't change a couple of other facts; one is there are – of the thousand or so coal plants that exists in the United States. Over 35% of them are 50 years old or older. 65 to 70% of those have no pollution control mechanisms or retrofits whatsoever and the heaviest concentration of those plants is in PJM where we operate.

The charts that we have listed here depicts the regulatory world for the next few years, that these plants will have to interface with, and John covered this chart in his second quarter call, and I want to just point out before talking about the implications, a couple of changes, recent changes.

First, as you look at the criteria pollutant section which is the blue section, you'll notice that the EPA transport rule we've listed here modified is to be effective January 1, 2012, two years ahead of where it was anticipated before the rule was released.

We believe and I'll talk about this in a minute, this has two to \$4 in price implications in wholesale prices in the marketplace positive to Exelon, and for the remainder of the market.

Second, if you look in the coal combustion waste section of this, which is in purple, you will see reference to new water rule making for stream discharges from fossil plants. Air pollution rules when in effect will mean that some of the pollutants will be stripped out of the air will end up as coal combustion wastewater, and the EPA has responded to that. I think the significance of this is not that it's cumulative in a significant material way, but the significance is that the EPA has absolutely committed to the reduction of pollution and to putting its finger in every hole in the dike.

So that is the framework, and what we have shown on this is try to show chronologically when these things will happen. And let me now talk about a little bit about that landscape. The first thing I think in light of how I introduce this subject with regard to carbon is that that it's obvious, but is important to know is that, well cap-and-trade and carbon regulation seem to have fallen out of political favor. Greenhouse gas is not driving this momentum at all, it is really the last piece of this regulatory landscape, rather it is the Clean Air Act and the air pollution pieces that have been in maturation for a number of years that have, have iterations that are now maturing in improved forms, in forms that have been tested by the courts, and in forms that have corresponded to the guidance that the courts have given about the rules that are required under the Clean Air Act.

These are rules that are not in large part discretionary. In essence, the only one of the rules that you see up on here where there is a lot of discretion for the EPA is 316(b), but the rest of them, the rules will be the product of or are already the product of the provisions of the act, the findings that the agency has made and the court pronouncements on what the acts have to do.

Secondly, I want to focus on our – next I want to focus on this, and that is that the timetables that you see up here, and there is a lot of discussion about how this schedule will slip. These timetables are essentially mandated. The consent decree and the most significant driver here is the hazardous air pollution, the hAP. The timetable on that is dictated by consent decree that the United States and the EPA entered into which requires finalization of the rule by November of 2011. That means the rule has to be issued no later than March of 2011. That's what the EPA has agreed to and is bound to under its commitments in the applicable consent decree.

We then go to the statute and this Clean Air Act requires then implementation three years afterwards. So what this means is the half regulations which I think there is complete consensus on being the most profound in terms of impacting the coal plants will be in place and will be implemented and will be operational in the middle of – in late, excuse me, 2014.

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The other thing that I would like to say before talking a little bit more about how that will affect some of the markets is that the writing of all of this, the inevitability of all of this, the timetable of all of this, the impact of all of this, that writing is really on the wall now and companies are already responding. If you look at what has happened since last October, Duke, Progress, Exelon, Consumers Energy, Portland General, Xcel, AEP and TVA have collectively announced already 8,500 Megawatts of retirement of coal, 4,000 of which is in PJM.

In other words, between the economic circumstances that the coal operators are faced with and the eminence of this landscape, of this regulatory landscape, there is recognition of the fact that the capital expenditures that are necessary to sustain those old coal plants are simply not going to be economically viable and companies are responding to that now.

Now, one other piece of this in terms of – we don't expect – while we expect the timetable to be fully met in the way that we have depicted it here, we don't expect it to be without objections and we don't expect it to be without a fight from in political circles and in some industry circles. There will be questions about the cost of this. There will be questions about the impact on prices. And there will be questions about reliability and reliability is a horse that many have tried to ride early on on this.

And the point I want to make with this slide that we are looking at, now slide four, is that we don't believe the facts bear out the reliability concerns at all. There is sufficient excess capacity in PJM and otherwise to absorb the contraction that is expected in the marketplace. There is a precedent that we have seen in our own plants Cromby and Eddystone, where there are adjustments that will be required in the transmission system to accommodate regionalized needs to do that quickly, efficiently and inexpensively. And there is a vehicle to get to the finish line that will not compromise regulation – excuse me, implementation.

Let me talk about some of the other roadblocks that we think will surface in the debate or potentially surface. One is the idea that courts will suspend the operation of these rules. That is not going to happen. What has to happen for that to occur is that court has to make a determination, the Federal court will have to make a determination that the regulations are so inconsistent with the applicable law that there is a likelihood that they – there is a strong likelihood they will not be upheld. I don't think anybody with a legal hat or with an old legal hat can conclude reasonably that that will occur here.

Second argument, the compliance costs. What will happen, will this be too expensive for the industry and will it impart to consumers' cost, it will be unacceptable bringing some political momentum to stopping this.

Well, the EPA has chartered out a pretty compelling case in terms of this, in terms of the healthcare costs that are associated with the plants and their current existence. And beyond that, what we have seen in forward thinking more of plants of less vantage, meaning of less duration is there is clearly a capacity to make these adjustments in an economic way, 60 gigawatts of coal capacity, scrubbers have been installed since 2008 alone, retrofitting has been substantial in recent years.

So, while the debate will go on, and we will be a part of the debate and the industry will be a part of debate, the message I want to leave you here with is that this has a momentum to it that can't be derailed by not passing legislation, the only way it can really be derailed is by undoing legislation that has already been passed and has lasted for 40 years, and a regulatory framework that has matured over the course of the last half dozen years. So, we see it coming and we see it coming on schedule.

Now, one of the other issues that is raised with it is, when do we have impact from this? And we get this question a lot at Exelon. And as I referenced before with regard to the transport rules, we see

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immediate price impact as early as 2012. Essentially, what happened under the transport rule is, it did not credit historic NOx and SOx allowances, so there will be a new allowance for – market for allowances in 2012. Units will need to accommodate the cost of the new allowances in adding to their variable dispatch costs, and we've estimated that at 2 to \$4 in terms of price implication.

The second side of this, and this is very tied to the timetable, is of course what will happen in the capacity markets. And as you all know, the next auction for the capacity markets is 2014, 2015, that's the planning year, which will – and that auction will take place next May.

Go back to the calendar I talked about a few minutes ago, by March of next year at the latest, the hAP rules will have been published. By November of 2014 at the latest, the hAP rules will be operational and compliance will be required. What that means is as the coal generators and oil generators for that matter go to market – go to the auction in May of next year, they will have firmly in mind and firmly have to plan for rules that will have the kinds of consequences that I just described. And we believe that the impact of that is likely to be significant.

Now the marketplace has already tightened a bit in PJM and in terms of looking at and what this chart represents is historically a little bit of that. Last year alone due to the timings of the markets, some increased demand at First Energy and some other fact – being into PJM and some other factors. There was an increase in the prices particularly in the eastern part of PJM, but some modest increase in NiHub as well. That increase relatively modest was \$400 million, translated to \$400 million in increased capacity revenues from Exelon over the previous year's auction for 12 and 13.

And with this auction coming up, just to give you a shorthand, just a \$50 a megawatt day change in capacity prices, and you all will do your modeling and try to determine whether these EPA regulations will or will not meet that or will exceed that. But I would venture to say that there is going to be substantial impact and there is a general consensus on that. Just \$50 a megawatt day and change in capacity prices translates on an unhedged portfolio \$350 million of additional capacity revenue for Exelon.

So this is, to conclude this session of my remarks, this is a needle mover, it's a needle mover on capacity. It will affect prices in a variety of ways I haven't talked about and including what it will do when coal is on the margin that does comply with the regulations. And it is something where Exelon because of its fleet is uniquely situated to retrieve benefit.

Let me turn now to the second of the four topics that I indicated at the beginning I want to talk about and that's our John Deere Renewable wind acquisition. As you know we've recently announced a closure of a deal, which will be up to \$900 million depending on what happens with some development pieces in Michigan to acquire 36 wind farms in eight states, 735 megawatts of operational wind. 75% of that, which is operational, is subject to long-term PPAs already. And the other 25% are assets that are located in Texas where there is some purdo litigation about what payment is required, but there is an off-taker. So the 75% is a very conservative statement. And there is income already in place, long-term income for all of the portfolio that is there. The pipeline in Michigan that we talked about, there is a 1,200 megawatt overall pipeline, but there's 230 megawatts in Michigan that we're in the stages – or John Deere is in the stages of finalizing where PPAs are already in place. So essentially what it will give us is about 1000 megawatts of new wind to us operated by experienced folks who are staying with the company, subject to long-term PPAs with all of the tax advantages that are associated with that.

Why did we do this? And that's what I just want to spend a minute on. First of all, we applied to this and it's very, very important for people to understand this from our vantage point. Because we are asked so many times about what we're doing with our capital and the ways that we expend it and the deals that we think about or the deals we don't do and how we make determinations, the Holy Grail for us is financial discipline. Does the deal make economic sense? There is – I can't think of

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anything that we would do, that did not meet that for a strategic reason, unless the strategic reason is so overwhelming it's one that I can't contemplate, and this deal did that.

First of all, we took this deal to the rating agencies well in advance of doing it and really surfaced it with them in great detail. And they concluded as did we that it was credit neutral. So even though we're taking on the \$900 million, we're paying for this \$900 million with Genco debt, the net result on this on credit is neutral. It is EPA accretive in 12, it is cash flow accretive in 13, and there is a steady-state EBITDA increase we expect of about \$150 million annually. So this is a deal that made economic sense that we put through the same financial prism that we apply to every potential use of your capital if you own us or those who are not here, their capital who own us in every instance.

But the second piece of this that makes it attractive as well is the nature of the strategic fit and the significance of the strategic fit for us. We will be, upon the completion of this deal, the 13th largest wind generator in the United States. We do think that eventually in federal legislation – you are going to see a federal RPS some day, we do think that wind is going to be part of the dialogue, the energy dialogue in this company for a long, long, long time to come. And we think as the leading nuclear operator in the country and the largest generator, we need to have seats at the tables where those things are being discussed. And this gives us not only insight in terms of development with an experienced crew that we've brought on and development capacity if projects materialize, it gives us an important strategic place at the table, where energy policy that will have a profound impact not just on renewable energy but on all forms of energy will be decided.

So in addition to having a financial advantage to us, that is not a needle mover, and we haven't claimed it to be a needle mover, it has a terrific strategic advantage for us to be engaged in the dialogue by which the policies that will so inform our future are going to be decided. So that's the John Deere wind.

I want to talk next as I said the third topic that I want to talk about is our regulatory relationships in the states in Pennsylvania and in Illinois. I think the recent developments have crystallized it a little bit more in Pennsylvania and I'll talk about it first. But, when I talked to this group or some of you who were here last year, one of the things I emphasized was how hard we had worked on sustainable regulatory and political relationships in the jurisdictions where our utilities operate. And that's not just how we do rate cases or what we do in that period of time, that's what we do day in and day out. That's what we do with elected officials. That's what we do with regulators. That's what we do in terms of reliability, in terms of the energy efficiency, in terms of small grid program, in terms of being part of a community. And we recognize that that's good business but when it translates into really good business I think and you see the evidence of that is in some of the things that have emerged now one of which is the PECO distribution settlement that we recently announced.

If you think about the PECO environment while we've generally had good relationships in Pennsylvania, we are coming off at the end of this year a long-term PPA with PECO that is under market. So there is price increases associated with energy. It's in a very trying economic time. It's in a time where there is high unemployment in the area. It's in a time where utilities are a convenient kicking horse for – or a dog I guess is the analogy, for situations. And we filed this case in March with all of the folks who are interveners in the case who were able to come to a settlement where we will receive, if it is approved by the PUC and we think it will be, 71% of the ask. By any standard in good economic times, that's a terrific result. And it is a particularly terrific result under these circumstances. We're doing it four months early. We're doing it without litigation. And we're able to do it because what we have done for years past that I alluded to last time here.

So, regulatory outlook or regulatory situation, political situation in Pennsylvania very solid, this is terrific indish of exactly that.



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As we turn to ComEd, where we also have a pending delivery rate case and this will be the first one we filed since 2007. The case itself – what's up on the chart refers to our alternative regulation proposal, but let me put it in a context of the rate case. The case itself is a 360 – \$396 million ask with an 11.5% ROE, we filed it in June. It's been three years since we filed the prior rate case. This is one where in context when we look back, I think we have taken all the right steps as well.

Last year, we were asked by the – by staff as we looked and said, boy, it – we're doing these rate cases on two-year cycles. Given the economic situation, we were encouraged by politicians and regulators, don't do a rate case last year. There were other utilities that were encouraged to do the same thing in Illinois, they took a different course than we did, we buckled our belt, we got our ROE to the highest place it had been in several years, even without a rate case did some tremendous cost cutting, we were able to stay out and come with a rate case this year to give the relief that the politicians and the regulators asked for. And I think, as a result of that, we have put ourselves in very good stead.

Our Smart Grid program in – our pilot program in ComEd territory is playing to universal praise. This last year, we had in the course of the summer, 1.3 million customers out because of the enormous storms in Illinois. Not one regulator or one politician to my knowledge had a negative thing to say about ComEd with 1.3 million customers out, all of them to the contrary were extremely complementary of how we had conducted ourselves.

So we feel good about the rate case, we feel it's been well prepared and we feel like we have set the table in a way to be able to maximize our recovery on that, notwithstanding the difficult economic times that ComEd territory as well PECO faces.

The one other piece of this, that is kind of an interesting piece I wanted to focus on and the slide focuses on is, as we previewed in our rate case, one of the things we have included now that we recently filed is an Alternative Regulation proposal, \$60 million proposal that's essentially a different way of securing recovery. We are asking for in advance approval subject to verification on the other end of a number of projects, manhole, rehabilitation, cable line projects, continuation of low-income funding and electric vehicles.

And in a little bit of a different mechanism than how we have done it. It is somewhat akin to riders that we've done for example in terms of bad debt, in terms of Smart Grid, although it's more in the regulatory wheelhouse, we have timed it – the rate case is an 11-month cycle, this will be a 9-month cycle. We have timed it, so they'll both – the end of them will coincide at the same time.

But the important thing about this again is, it's been in – it's two things, important things, two. One is, it's an opportunity on our part to collaborate with the stakeholders. So we've gone out and done this in very careful collaboration with the people who historically have been our adversaries and said what makes sense, how can we do benefit for the consumers while also giving us some certainty, how can we fashion this in a way that is attractive? And I believe we've been successful in that, the proof of the pie of course is in eating, but the positive reaction to this thus far has been unmistakable.

The second thing is, we're trying to begin to set the table and thinking about the regulatory climate, the regulatory world in different ways and while this is subjected as are the riders to verification by the ICC, if this works as a concept, it certainly gives some regulatory versatility that we don't currently have and we look forward to that as well.

So let me finally, before turning to questions, only have a few minutes, and I think we have a breakout session after this for a few minutes too. So that anybody who wants to ask questions, that we can't get at the end, be able to do it then.

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Turning to us and talk a little bit about our dividend – our track record. But let me put it in context, here is, in our view, an Exelon's snapshot. We don't have control of gas prices. And we don't have control of demand. But what we – and we do think that those pieces in conjunction with the EPA or pieces that are going to impact the marketplace in a positive way at some point in the future. But what we do have is this, and what we do offer to our shareholders is this.

We've run the company extraordinarily well. Operationally, last year, if you take into account the utilities operations, the nuclear operations, the other possible operations, we ran the company better operationally last year – in the last year than we ever have. We have arguably, I think, and I say only arguably to take into account other views that I don't share the most valuable assets in the industry with the 17 nuclear units that we operate. Not only are they valuable inherently because of what they do and how they do it, but they give us a unique opportunity for growth as is evidenced through our uprate program that no one else has in a place where expansion is difficult to do in that venue.

All the things – we have this, all the things that can happen impact us positively and impact us, I would argue, in a more positive way than they impact most, if not all, of our competitors. We have solid balance sheet stability and we've worked hard to preserve that through our hedging, through our financial discipline, through all the things that we try to do to make sure that we're versatile enough to take care of distress and versatile enough to take advantage of opportunities.

We have earnings that have beaten the Street consistently this year, and a very positive earnings cycle. And we have a cost reduction program that is proven and has been terrific last year and will be terrific again this year, essentially holding costs solid at 2008 rates or below \$200 million, below 2008 rates. And I go back to the first point in describing Exelon to put those two things together. Cost reductions with an enhanced performance of the company running better than it's ever run.

So that's what you get from us in terms of the things we control. But the other thing that you get from us while you are looking to see what happens with the market and seeing the rise in the marketplace that we think will impact Exelon so positively, is you get a very attractive dividend.

Our dividend has grown 139% since 2002. The yield, and you can see the yield statistics up here are very positive relative to what else is available in the industry, and we are – and I think we've said this and John has said this time and again, we're very committed to its continuation.

So, that's the picture, that's what Exelon gives you. Exelon gives you tremendous upside on the momentum in green, Exelon gives you tremendous operation with terrific assets, Exelon gives you a very attractive dividend yield, and it gives you a management that is committed to financial enhancement and profitability with everything that we have.

So with that, we have about 5 minutes left for questions from the audience here, and then we'll go out into the breakout session after that.

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**<Q – Daniel Ford>:** Thanks very much. Could you talk a little bit about the retail strategy that you are starting to pursue as well on the customer acquisition side?

**<A – William Von Hoene, Jr.>:** Yes, thanks very much, Dan. I'm going to ask Joe who – retail resides in the Power Team shop – to elaborate in response to your question.

**<A – Joseph Nigro>:** Yes. Thanks, Dan. On the retail side, we have a unregulated retail group that approaches small, medium-sized and large C&I customers. We have that business established in northern Illinois, with the roll-off for the ComEd obligation after 2006. We've been very successful establishing that retail entity. As you are aware, the PECO contract rolls off for us in southeastern Pennsylvania at the end of this year and we – PP&Ls rolled off at the end of 2009. We began to build our retail business, our unregulated retail business in Pennsylvania as well, again focused on small, medium-sized and large C&I type customers and we want to replicate what we have on northern Illinois.

We have dispatch across the generation stack in Pennsylvania. We have generation in the western part of the state with Keystone and Conemaugh. We have generation in the central part of the state with Muddy Run and TMI, and we have generation in southeastern Pennsylvania with our nuclear assets and our fossil fleets who are very comfortable serving the load, and will continue to go after the load.

**<Q – Daniel Ford>:** Thanks, Joe. How are you, Annie? Always nice to see you.

**<Q>:** Can you hear me?

**<Q – Daniel Ford>:** Okay.

**<Q>:** Can you just go over a little bit more detail, because you talk about the price impact you see from the transport rule that you see in 2012, the dates? Can you go a little bit more detail how you come up with those dates?

**<A – William Von Hoene, Jr.>:** Well, the dates we come up with because of the operational dates of the rule itself, Annie. So what the rule has said and before it was issued, the assumption was the effective dates of the transport rule would be 2014. And what the EPA did instead was designate the effective rates at the beginning of 2012. So that's why the impact has moved up.

The pricing impact from that derived from the fact that allowances – that the historical allowances, credit for those is not going to be allowed under the new rule. So there is going to be a new market for allowances at that time. And what the units will need to do in terms of how they price, they will need to bid in, in terms of their variable costs, what the costs of the new allowances are going to be in their variable dispatch costs.

And what we have done is we have taken the EPA published values that are ascribed to this, done our own analysis, looked at that and that's how we came up with the figure, the 2 to 3 or 2 to \$4 in price impact in 2012.

We don't think that's reflected in the future now. We don't think that's reflected. We do think as you go farther out by the way to paint the full picture, we do think there is some uncertainty about what's going to happen to prices out to the extent that there is a market to look at farther out. And so there may be the beginnings of recognition of price enhancements later, but in that 2012 time where it became a bit of a surprise because of the effective data that we think that's yet to be reflected in the prices.



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<Q>: Thank you.

<A – William Von Hoene, Jr.>: Thanks, Annie.

<Q>: Hi. I'm back here. Do you see any impact on your nuclear uprate program from continuing lower gas prices and maybe higher cost of engineers, given you see more nuclear activity, new nuclear activity in the U.S.?

<A – William Von Hoene, Jr.>: Yes. Well, the impact, obviously the gas prices to the extent that they impact power prices, are relevant to the nuclear uprates. The nuclear uprates are not favorable in the abstract, they are favorable however and they make sense to us in the context of a variety of cases that we tested them against including stress cases with relatively low gas prices.

So when we – and we update this on a quarterly basis. When we put out the IRRs, the internal rates of return for the three kinds of uprates, the ranges there reflect what we think are both market conditions as we see them or short term view conditions that stress positions, conditions. But, can it have an impact? Yes. We think under most of the conditions that we can foresee, virtually all conditions that we can foresee, all of the uprates make sense, make economic sense for the company.

And I'll get to your technology piece in just a second. Obviously, if the bottom falls out further, it could be a situation where that wasn't true, but the way the program is designed, we have such tremendous flexibility, because it's actually 19 different projects, and those that cost the most and the largest are at the back end of the 2010 to 2017 period of time. So we are able to jump on and off of this if those circumstances arise.

With regard to the technology piece of it, all of the stuff that essentially we need to do that, which is some of it is internal capital, but other of it is contracted capital, with the people of the world who do this stuff. We've already addressed and we've already made certain that we're captured there. So we don't have any concern about person power necessary to implement these assuming that we go forward, which we believe we will.

<Q – Daniel Ford>: Okay.

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

Okay. Thanks very much, Dan.

**Daniel Ford, Analyst, Barclays Capital, Inc.**

Thank you.

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