

Exelon Corp.*Company▲*

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Jun. 3, 2010

*Date▲***MANAGEMENT DISCUSSION SECTION****Hugh Wynne, Analyst, Sanford Bernstein**

Good afternoon and thank you very much for joining us today. Just to remind you a little bit of the investment proposition at Exelon before I turn it over to John Rowe, the Chairman and CEO of the company.

Exelon is a company that gets about a quarter of its earnings from regulated transmission distribution utility subsidiaries in Chicago and Philadelphia. And about three quarters of its earnings are from its unregulated generation fleet. You can think of its unregulated generation fleet as about 150 million megawatt hours of base load generation, almost 90% of it nuclear, about 60% of it in northern Illinois, and about 40% of it in the vicinity of Philadelphia.

While Exelon hedges that generation fairly extensively out for about a three-year horizon, in the long run, that generation renders its earnings highly susceptible to movements in the price of power and gas. Every \$10 per megawatt hour in the power price ultimately translates into about \$1.35 in EPS. Every \$1 per mmbtu on the gas price ultimately translates into about \$0.75 in EPS. And were CO2 to be regulated every \$10 on the CO2 price ultimately will translate into about \$0.50 on EPS.

The stock currently yields in excess of 5% and it would have obviously material appreciation in the event that any of these catalyst materializing. Even if capitalized at 10 times, a \$10 move in the power price will be worth perhaps \$13 per share, which is a third of the current price of Exelon stock. A \$1 move in the gas price would be worth perhaps 7.50 per share which is about a 20% of the current share price. So I guess the question for investors is whether at \$38 per share Exelon properly capitalizes its long-run earnings power in the absence of these very large potential upsides.

And with that let me turn it over to the man who many people consider to be the Dean of the U.S. Power Industry, John Rowe.

John W. Rowe, Chairman and Chief Executive Officer

Thank you, Hugh. With 26 years of running utilities behind me I'm the dean whether people wish to recognize it or not and whether that conveys any particular respect, it's a little bit like being the eldest Congressman or something. But this is the 10th year – it's the 5th year – excuse me – that I have the privilege of speaking at this conference and I'm pleased to be here with you today.

On the other side of Hugh is Ken Cornew, President of Power team who manages our marketing work and will likely chip in to answer some of the questions you may have about energy and capacity markets and Matt Hilzinger our CFO. and down in the front row is Stacie Frank who was promoted to Vice President of Investor Relations a few months back.

Now it's fitting that we're here for the strategic decisions conference because this is the 10th anniversary of the formation of Exelon, which was the product of several genuinely strategic decisions.

First it was the product of merging Commonwealth Edison Company in Chicago and PECO Energy in Philadelphia. Second, it was the product of reorganizing those companies so that the generation was placed into Exelon generation, a competitive company whose value is driven, as Hugh very correctly said, by combinations of natural gas prices, energy prices and capacity prices.

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And as a result Exelon as a whole, as Hugh pointed out, is about 25% driven by regulated transmission and distribution revenues and about 75% by these other commodity factors. Exelon has had a lot of ups and downs in its 10 years. That's what happens when a significant portion of your earnings are tied to commodity markets, but we have consistently been one of the most profitable utilities in our industry.

Our total returns through May, yes just last week, since our formation have been 76% compared to 51% for the utility sector as a whole and a negative 8% over that decade for the S&P 500. Now, these total returns don't have the huge glimmer that they did only a couple of years ago. But I respectfully submit they are not bad for a commodity driven company at the bottom of the commodity cycle.

Now in the 26 years that I have been running utilities, the industry has seen some things remain constant and others change. Things like the importance of good operations, good service, sound balance sheets and attention to politics and regulation are constant.

Other things today are changing perhaps faster than they ever have. The implications of smart grids, solar power and electric vehicle technologies pull our business in different directions.

No one is sure how long natural gas remains how cheap, and we are very sure that we are in for an unprecedented decade of regulation in fossil generation, especially coal. If you want a buzz phrase for Exelon, we are the uncoala. I didn't get that reviewed by saner heads before I tried it.

Now Exelon tries to look at strategy through three documents. The first is our vision statement which changes very rarely. This version has been around for five years and it's only slightly different than the one we had when we formed the company a decade ago.

It represents the most basic things that I have learned in 26 years running utilities. We try to speak to it with our employees in great detail, because if you don't they assume it's just puff. I go through it line-by-line and word-by-word with our new management, until then when in doubt go back to the vision statement, it may actually help you solve the problem or two.

This document reflects who we are and what we want to be, and what we want to be is clearly, the best group of electric generation in electric and gas delivery companies in the United States. We'd not claim that we are there; I would say we have as good a claim to be there as any other utility does at the present time.

Some of the things in this vision statement would be held by nearly any utility, particularly the emphasis on keeping the lights on and the gas flowing and running nuclear plant safely.

I'd like to think though that even the ones that we share with other utilities, we hold more strongly than most. Some of the things in this vision statement are different than many utilities.

The first one involves our emphasis on environmental leadership and clean nuclear energy. We are the nation's largest nuclear energy producer and, therefore, the nation's largest low carbon utility and we are very proud of that.

Exelon 2020 is the industry's most comprehensive plan for procuring energy in a carbon constrained era and for doing it in an economic way. And we steer our investments in the green direction and the low carbon direction in part because we think that's where public policy goes, but in part because we are quite sure that being there will pay off for all of you over time.

A second thing that differentiates our vision from those of most of our competitors is our commitment to competitive markets. As I stand here today, Exelon has a market capitalization of \$25 billion and a market-to-book ratio of 1.9. While there are a couple of exceptions, several

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companies that I respect greatly, for most regulated utilities market-to-book ratios hang between 1 and 1.5. If Exelon were regulated in that way, our multiple end market cap would be reduced by 25 to 50%.

Point I am making is that here is Exelon in a trough in the commodity cycle. And we're still holding a market-to-book ratio of 1.9. And as capacity and energy prices recover over time, and they will, Exelon has an upside that is truly unique in our industry.

The third thing which differentiates us from many of our competitors is the rigidity of our commitment to financial discipline. Everyone tries, some try harder than others. And I'll try to illustrate this through the rest of my remarks today.

The second part of our strategic cannon is called the Protect and Grow document. We did this largely for our employees who found the vision statement a little too arcane. Much of our time is spent on protecting value.

We do that by constantly working on the quality of our operations. By constantly tending the rules of the competitive marketplace, by managing our expenses tightly, watching our capital commitments, our hedge programs and our regulatory relationships. Examples of things that fall on the Protect side of this sheet are bringing the capacity factor of our nuclear fleet from around 50% ten years ago to the 93% we've held over the last five or six years.

Other examples are the investments we have made in our transmission and distribution system, which have improved customer satisfaction and reduced our frequency and duration of outages. Last year, both ComEd and PECO had among the best years for frequency and outages duration in their entire history. In ComEd's I believe it was the very best ever.

We constantly find new ways to reduce costs. In 2009, we reduced O&M by 200 million from '08 levels. As a company that gets three quarters of our earnings from the power markets, there is little that we can do to totally offset what goes on in those markets. But we don't just sit and wait. We work at these things that add value all the time.

When it comes to the Grow side of the document, we are very value driven. It is our perspective that this is not a high growth industry, that there are very few opportunities where long-range growth can justify substantial near term dilution. We watch risk, we watch earnings, we watch cash. We keep a keen eye on net present values and impacts on credit as well as our mix.

Many of our investors have asked for more detail on how we look at mergers and acquisition, because we make no bones about always having our eyes open. The Exelon merger itself showed what the value can be from a good merger. We know and you know that there are more bad ones than good ones.

So when we look it is always with a very fishy eye on the economics. We like integrated mixes of generation with transmission and distribution better in one segment or the other. But we are very careful about regulatory approvals. We learned in our PSEG effort that regulatory approvals can take a very good project and turn it awry

We don't rule out pure play options like, a market generating business, but the values have to be compelling. We prefer competitive markets to fully integrated ones, but recognize that there are very few opportunities left for us in PJM. We are very reluctant to dilute our environmental position. We think our low carbon position is a very good thing and our minimal position of other air pollutants is a very good thing.

We love nuclear. We like gas and wind if they can meet our return requirement, which they usually don't. We will consider coal, but are really only interested if it is large and very efficient.

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As I said earlier, accretion matters. It matters a lot -- in earnings, in cash flow and in credit. And we will walk away, if the value that we seek is no longer there, we will take what is generally thought to be the embarrassment of walking away. There is no acquisition activity at Exelon that is about John Rowe's ego, it is all about dollars. The reality for Exelon is that no M&A opportunity has as much value as our own business does as power prices recover and environmental requirements tighten.

Now let me go to the next chart in our strategy cannon. This Venn diagram has four simple components -- operations, energy markets, regulation and politics, and financial matters. We believe that to run a really good utility, you have to understand all four of these things and you have to keep them overlapping as much as you can.

If you do your politics right but really screw up your operations, you have big trouble. But you can also be the best operating company in the country and have big trouble if you screw up your finance or your politics. The importance of markets has been driven home to all of us in the last several years.

We try to keep the circles as close together as we can. Our best strategic decisions at Exelon can be viewed in this prism. We have spent over \$5 billion over the last decade upgrading our nuclear fleet. That shows both in operations with the 93% capacity factor. And also in total output we added the equivalent to another nuclear fleet about a nuclear plant about 1100 megawatts to our outputs. To make energy market better we integrated ComEd into PJM, the largest and most successful competitive market in the country. When I spoke here a year ago our forecast was suffering from a capacity auction with so called RPM auction for generating capacity that had just been announced for 12 to 13. And we were bitten badly by that fall in capacity problems in our forecast.

Then another auction was conducted just last month for the succeeding year and we picked up about \$400 million over the 2009 results. So as early as 13 and 14 we see those capacity values. In financial management we dropped our plans to build a nuclear plant in Victoria County, Texas turning it into a site permit and are investing that capital in further upgrades in our own nuclear plants about 1500 potential megawatts at half the cost of new plants. In following regulatory trends we have reshaped our generation proposal most largely back in 99, when we sold 16 relatively inefficient coal fired plants for \$4.8 billion and continuing to the present with our announced plans to shut down our Eddystone and Cromby station. We believe as we look at our energy markets that they have three fundamental components, there are of course more but these are the three big ones. What our gas price is? What is the spark spread or the relationship between power prices and gas prices? And what are capacity prices?

Each of these things behaves somewhat different way. Like you, we wish we knew how fast gas prices will recover, but we are already seeing capacity prices recover. And we are already seeing some improvements in spark spreads or the relationship between power prices and gas prices.

We believe this continues and I am about to show you why, and to try to explain to you why we believe our green position is so important to your potential value. The next chart is the core of what we call Exelon 2020. This is the 2010 version and it will be at the heart of the next Exelon 2020 document we produced. As you probably all remember we put out the first version in 2008. Exelon 2020 is our plan to completely offset our carbon footprint by 2020. As of 2009 we were already a third of the way there and in 2010 we shall report that we are about half way there.

The bars on this chart are terribly important because they show the net present value in terms of dollars per ton of weighted carbon dioxide of different capacity additions to our portfolio.

Over there on the left the ones that give you the easy, immediate value are shutting down the Eddystone and Cromby units. And then, you have some energy efficiency programs for our customers that have better real value without carbon prices in the market.

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And then, you have nuclear power plant uprates which also show those values. Anything that goes negative on this chart means it's profitable without carbon prices in the marketplace. Now as you go further to the right, you see how much some things cost and with today's low demand due to the recession and low gas prices.

The cost of many people's favorite technologies get varied very high, very fast. New gas plants are 25 to \$40 a ton. RECs are under \$50 a ton, renewable energy credits. But wind and nuclear is up between 60 and a \$100 a ton for new plants. Coal with carbon sequestration is much more \$300 a ton perhaps. Solar even with incentives is still several \$100 ton. Point is this is the guide for us on where to put our dollars and where to try to defer spending money.

Now the next thing we're going to try to do with this chart is to try to understand better, why it has changed so much in the last three years. Three years ago, new nuclear was around \$45 ton. We know the short answer; it's simply lower gas prices, which make any alternative more expensive.

But the next thing, we're going to do with this is, is do sensitivity analysis to say, how much does gas have to go up to bring nuclear back down to \$50? How much coal has to come out of PJM to bring the cost in terms of dollars per ton of some of these technologies down?

In other words this is at the moment a static analysis and we want to do a dynamic one. And we think the differences will be very important. But the key thing you need to know for the moment is both in our procurement and in our public policy advocacy, we are able to use this tool to say, we can green Exelon. We can neutralize our carbon footprint and we can do it for \$25 ton or less. That's a very big deal and a very large source of both security and profit opportunity as we go forward. Now as Hugh said carbon legislation was a positive for us, had it happened. And it still may this session, although few would put a high likelihood on it at the moment and it probably then won't happen next year in a more conservative Congress. But it keeps coming back because the climate problem won't go away. And it also keeps coming back because it interrelates with a whole lot of other regulations which EPA must do.

This is a simplified version of what some call the train wreck chart. We put it up in a simplified version because no one can come to a meeting like this and read the original version with a sense of understanding.

What it is that the regular – these are the regulations that EPA must do under existing law with respect to air pollution over the next seven or eight years. They include sulfur dioxide on which EPA issued a proposal this very day. They include, coal ash upon which proposals were issued about a month ago.

They include hazardous pollutants including mercury, which we believe to be the largest in its effect, where EPA is required to have regulation in effect by 2014. They include carbon dioxide, but that's frankly a smaller matter than these others. They include new particulars. The important thing here is that this chart is mind boggling to read and it's even more mind boggling to execute.

Some of you have put out forecasts of how much of the nation's coal-fired capacity will be abandoned during the effectuation of these rules. Typically these forecast run to 10 to 15% of the existing coal plants over the next decade, some runs high as 20 or 30%.

All of this is opportunity for a green company like Exelon. First, these rules will affect capacity prices. As I said earlier, we already saw capacity price recovery in the East in this year's auction. When it comes to next year's auction, people will be bidding for 2013 and 2014. They will be saying what do they want to do with their coal plants when the mercury rules come into effect.

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We should begin to see that effect in the bidding on capacity as early as next year. But as some of the plants either shake out or turn to gas. We will not only see effects on capacity prices, we will see effects upon spark spreads and energy prices in the Midwest. And indeed over time, I think we even see effects upon gas prices themselves.

Now to us at Exelon, our ability to deal with these changes to actually turn them to advantage rather than disadvantage, is almost unique in our industry. And this is where our commitment to being green and our commitment to competitive markets come together.

Our value grows as economic growth returns with electricity in demand. Our value grows as our society becomes lower carbon. Our value grows as our generating fleets become cleaner and they grow more in competitive marketplaces than they could in regulated marketplace. This is a value proposition that is truly unique in our industry. I cut my teeth in the second half of the 80s as state after state across the nation failed to live up to the normal cost recovery rules on a mix of nuclear plants and other investments because they were too expensive in a weak economy. We now have a similar situation -- an economy with relatively low growth some potential for inflation and much public anxiety. These create difficult periods for utilities with very high capital requirements and several of my colleagues who are in fully regulated jurisdictions are good enough to manage this very successfully, and respectfully, I submit that some will not be. But the important thing as you look at Exelon is we are about the only company that can genuinely make money on this chart. There may be another one or two or three but none of anywhere near our scale and dimensions.

So I go back to a question that Hugh has asked me several times. I go back to a question that all of our larger shareholders asked me which is when will gas prices recover and they all ask it tongue-in-cheek because they know I don't know either. Well I don't, but there will be upward pressure as well as the downward pressure of shale gas and so forth. But in addition to that there are all these other upward pressure on power prices and energy prices and especially on capacity prices. And I submit to all of you that Exelon is in a very unique position to give you value over the next five years that comes from these factors. So that's how we fundamentally look at Exelon. We are what we want to be, and we seek to make even more value for you in the future than we have in the past.

Hugh, with that I'll take questions and share them with my colleagues.

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<Q – Hugh Wynne>: So if you could please turn your questions over to the fellows who are coming up the aisle and we'll go through those and ask John. But just to kick things off.

There's probably a fair number of journalists and investors in the audience who aren't following these arcane air emission regulations particularly closely, I wonder if you might just elaborate a little bit on that last chart you showed, with respect to the expected regulations to be forthcoming from the EPA on mercury and hazardous air pollutants, and specifically what you expect will be regulated, when and why do you think it will have the consequences that you outlined in your talk?

<A – John Rowe>: Well, the when is what I know; the what I know less well. The when is, it's supposed to be proposed by the spring of next year. EPA has suggested drafts will be out this year and the statute requires them to be effective by 2014.

I think no one knows what numbers EPA will propose for mercury and other heavy metals. But everyone knows it is very, very difficult and very, very expensive to add to older, smaller coal plants, control technologies that help reduce the concentrations of mercury.

And when you combine the hazardous pollutant regulation with the increasing regulation of sulphur dioxide that started today in some ways, with more regulation of fine particulates, even perhaps with some regulation of carbon dioxide, you get a situation which is very expensive, in fact impossibly expensive for a significant portion of the nation's coal fleet.

We have a great many power plants out there that are under 500 megawatts, a great many power plants that are somewhere between 40 and 70 years old. They simply will not bear the capital requirements that are necessary to comply with a variety of these statutes with I think mercury being the most expensive and the most definitive. And while Congress has not proven as willing to address the climate problem as I thought it was after the presidential campaign two years ago, in the wake of events like BP's disaster with its oil well, it's awfully hard to foresee Congress back-tracking on the regulation of hazardous air pollutants.

<Q – Hugh Wynne>: Couple of questions, which were fairly pointed with respect to the safety of the dividend, falling gas prices in particular putting pressure on earnings and cash flow over the next several years, at what point might you be forced to cut the dividend?

<A – John Rowe>: Well, it's a properly pointed question, and as the people asking it know, I can't give an equally pointed answer because it probably would be illegal. Boards decide dividends every quarter as they go.

But I will tell you my philosophy on dealing with this. We – our dividend is about half of last year's earnings. As you know, we announced a good first quarter this year. Our estimate for this year is 3.70 to \$4.00. Easily supports our \$2.08 dividend. I don't see any risk in that timeframe to the dividend. Now as you look out at '12 and '13, my philosophy would be to sustain the dividend even if the payout ratio rises to a higher level than one would normally want.

And the reason I say that is I think in 2014 and 2015, these other things come back to our benefit and we again create the growth and value that you have become accustomed to. So I will urge the board as long as I'm here to hold the dividend as long as we can pay it. And I believe that we will be able to pay it, but that is projections about the future. But the commitment is very strong to the dividend at Exelon.

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<Q – Hugh Wynne>: We had several questions regarding the capacity market in PJM. What percentage of revenues come from capacity there in the PJM, and what do you anticipate for the level of capacity prices in the next PJM auction?

<A – John Rowe>: Ken, can you help pick up on that?

<A – Kenneth Cornew>: Yeah, I don't have the exact percentage of revenues that come from capacity auction in PJM. We can get that for whoever asked for it afterwards. Stacie? Second part of the question?

<Q – Hugh Wynne>: What do you expect is the direction of capacity prices in the next auction?

<A – Kenneth Cornew>: I expect the direction of capacity prices in the next auction to still remain in an upward direction and it's largely because of what John just indicated. You do have increasing costs for compliance environmentally on an increasing amount of generation in the system.

You don't have a lot of new generation coming online. PJM does expect demand to increase. So you essentially have a fundamental capacity scenario where the fundamentals supply and demand are tightening and the cost of the capacity that exists is going up.

So in our minds that means, Hugh, that you would definitely see upward price movement over time as reserve margins tighten and as the cost to continue to keep older coal fired generation goes up.

<A – John Rowe>: Our total revenues are on the order of 16, \$17 billion. The '09 action took \$600 million off our prior expectation. The '10 auction returned \$400 million. That gives you a sense of how much goes on in each year. And I think you will see further upside next year especially in the Midwest as folks bidding have to come to terms with the air pollution regulations that I discussed.

<Q – Hugh Wynne>: Couple of questions about capital allocation. How do you look at your up rate program versus other uses of capital including share repurchases? Have you looked at developing more nukes?

<A – John Rowe>: Well, on the developing more nuclear plants, as you can see from the Exelon 2020 slide, where it's almost \$100 a ton of avoided carbon. At these demand levels, at these capacity prices Exelon is simply not going to be building a new nuclear plant. So that's categorical for some time.

How do we look at the capacity uprates compared to share buyback? Well, first we explicitly try to do a comparison of share value with a buyback versus share value with the power uprates. And right now the share value looks better with the power uprates then it would look with a buyback.

We've tried to test this power uprate program and it comes in various components. Some are very cheap as you can see on the 2020 chart. Those two narrow light blue bars you would do under almost any circumstances. The bigger one, the flat bar is what we call the EPU's; that's a lot more of the money and more of the megawatts. We do that later when we have tested our revenues more strongly.

But we have subjected that analysis to a very wide variety of gas price and power price forecasts and it continues to provide a positive net present value. So I think the odds of doing this remain very high. And I'm confident we have adequately looked at it and compared to a share buyback. These are simply very good projects, even with cheap gas. But the virtue of looking at them separately is we don't have to commit ourselves all at once. So we can keep testing our views in the market before we spend this capital. And as one of our large investors asked earlier, if you're really in cash issues, is this something you could defer or not do. And the answer is, of course it is. It's an entirely discretionary project.

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<Q – Hugh Wynne>: Just a question regarding the potential costs associated with simply maintaining existing nuclear generation capacity in business. And I think that goes to, first, what's the remaining life of those plants, and are there major upgrade costs that'll be required to keep that capacity available? Are you concerned in particular about investment in cooling towers under a new EPA regulation on cooling water intakes [inaudible]?

<A – John Rowe>: Very deft question, and the answer to the end of it is clearly yes. We have plants like Oyster Creek in New Jersey, which is our oldest plant, a single unit, relatively small plant. And it simply would not withstand the cost of cooling towers. We would shut it down if we had to add cooling towers, or negotiate a shorter remaining life. For most of our plants they are now re-licensed to 60 years. We have not begun to seriously look at periods further than 60 years. We try to look at the capital requirements over the entirety of the next 20 years or so. Basically, our fleet at 60 years it's mostly got between 15 and 30 years life left. And when we look at it and when we look at the up rates, we do our very best to get not only the cost of the up rates, but the incremental cost of keeping those plants in first class condition in those analyses, because as the question asks, with older plants and these are all older, there's always something you need to fix, including things as simple as underground pipe.

I mean it's all very fun to say, you want more digital controls and less analog controls, but it turns out that that's actually cheaper to make that switch than it is to replace some of the original underground pipes. So we're trying to include this in a comprehensive analysis. I'd have to get to – I don't know, Matt, if you have anything you want to add, but I think we'd have to have one of our nuclear finance people to go through you line by line on just how we do that, but we do it.

<A – Matthew Hilzinger>: John, I think the only thing I'd add is, we are very rigorous about evaluating the capital each and every year and we do go out through the life of the plants and they do go through a very rigorous kind of financial discipline in terms of what are they providing in terms of the extension and in terms of returns, that's what I'd add.

<Q – Hugh Wynne>: One question refers to a couple of recent transactions that have focused on building up electricity retailing operations, NRG's acquisition of Reliant's retail business and also to some extent FE's proposed acquisition of Allegheny are both supported by the idea of retailing power more extensively. Is that something you've considered as a way to stabilize your generation revenues?

<A – John Rowe>: Well, first we thought the NRG acquisition made a lot of sense because it gave them a marketing capability where they had the energy. It's a little harder for us to do that because we already have marketing capability where we have the energy. But, yes, we look and we do not have a plan for such an acquisition at the present time.

<Q – Hugh Wynne>: Another question regarding consolidation in the industry, more generally. We see some acquisitions that seem to be focused primarily on extending exposure to regulated assets such as PPL's proposed acquisition of LG&E, others that seem to try to capitalize on merchant generation such as FirstEnergy's acquisition of Allegheny. Do you draw any important lessons from those M&A deals? Are there aspects of those deals that would feed into your strategy for potential acquisitions?

<A – John Rowe>: Well, if we could obtain on attractive terms more regulated assets, we would like it partly because the credit rating agencies would like it. But again we place a very high value on who we are and what we have, and we don't want to give up too much of our upside as the kinds of things I describe today return, just to buy us a little more safety over the next year or two.

So with us it's all about numbers. We think this is a trough. We can't tell you if it's a one year or three-year trough or maybe if you want to say two have already happened, whether it's a two-year

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or a four-year trough. But we are quite certain that the factors that I've described come back to pay out for us overtime. And we don't want to be something other than what we are.

It's easy to talk about re-regulation and Dominion did it with particular skill. Tom Farrell does nearly everything with skill. But he was in a state where his nuclear plants weren't really unregulated to start with. And you would not find it very easy to get a good long-term value for our nuclear plants in the states in which we operate, particularly when the industrial customers think they're going to get a lot of value from the competition right now.

We've had a period from say, '94 to 2000 when states that were restructuring or going to competition did better than the states that were fully regulated, on keeping prices down. And then we had a period from 2001 or so to 2008 when it was the other way. The fully regulated states looked a little better than the competitive states. I think we're now in a period of five to ten years when the competitive states will again look better than the fully regulated states.

And so, while I would be delighted to have a little larger regulated portion in our operations, it's all a matter of money. And it would not be a retrenchment from my general affection for the competitive model.

<Q – Hugh Wynne>: Couple of questions which I think are trying to get to the price or revenue impact of different types of environmental regulation. So one question is whether you could discuss the differences, in impact on Exelon of different types of CO2 regulation, cap and trade, EPA, carbon tax?

<A – John Rowe>: Sure.

<Q – Hugh Wynne>: Another I think related to that, can you estimate the cost and cents per kilowatt hour of the pending EPA regulation, so I think they go to whether these have different impacts on your price of power...

<A – John Rowe>: Sure. If I could do all of that I would be very smart. I can do some of it. There are three kinds of regulations that are good for Exelon in this case, cap and trade, carbon tax and simply EPA regulation of CO2. Those are all pluses for Exelon.

And how much they are plus is simply a result of what you think the implicit price of carbon dioxide emissions is, you used the number, Hugh, of \$0.50 of share per \$10 of ton, I find no fault with that although it's kind of impossible to actually be the quite that precise. Now there is one kind of environmental regulation that generally cost Exelon money without making it money, and that's renewable portfolio standards.

In between you have this whole gamut of EPA regulation of other air pollutants all of which are tend to be good for Exelon. How good depends on how well they work, how sustainable they are and how much they affect the existing coal capacity. I can't tell you cost per kilowatt hour for any particular conjunction of these things. If you look at Kerry-Lieberman -- and I'm going purely from memory now, because I haven't seen these charts in a month. But the last time I looked Kerry-Lieberman in most states in the country was more like \$0.01 per kilowatt hour than a larger number.

Now that's probably because of all the allowance. In some of the states it was even lower in the first years. I think the cost of enforcing the EPA regulations will be higher than that in states which are nearly all coal. But I haven't modeled that explicitly, probably because I don't really want to run out around the country saying, here's my neighbor, see how much trouble he has.

<Q – Hugh Wynne>: One question here that actually quite interests me. The question is whether with natural gas prices stay low with all this new tight shale supply coming on, could this dampen

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the potential for price increases indefinitely? I think the reason that's – an interesting perspective is, I think a lot of what you've been talking about is the impact of EPA regulation on capacity and the intersection of supply and demand, and the impact on price. I wonder if you could perhaps elaborate on --

<A – John Rowe>: I'll do my best. Now, look, we at Exelon don't like \$4 gas. Does anybody have any doubts about that? We were real fond of \$8 gas. At \$12 gas, it was all too good to be true and I spent all of my time being beaten up by politicians. So, there is a sweet spot in gas for Exelon, there isn't any doubt about that. And we do think shale gas has the potential to hold gas prices down to a larger degree for a longer time than we would have seen possible two years ago. I mean, Ken I think has reduced his sort of long-term gas prices from nine to 750 to 650 or something on that order.

So that's kind of where we are now on the longer term, but the EPA regulations don't just affect the capacity markets, although that's what they affect largest first. They also will affect energy price markets because they will move gas to the margin more of the time as well as increasing the cost of running the coal plant. And in time they also affect gas prices themselves, but I think that's a tertiary function rather than the primary one.

<Q – Hugh Wynne>: So in a certain sense the upside is perhaps partly derived from the way in which those regulations constrain the output of the coal fleet rather than simply your upside being related to the price of gas.

<A – John Rowe>: Precisely.

Hugh Wynne, Analyst, Sanford Bernstein

All right. Well, I'm afraid we've run out of time, but thank you very much for joining us.

John W. Rowe, Chairman and Chief Executive Officer

Thank you.

Hugh Wynne, Analyst, Sanford Bernstein

Thank you very much for addressing us.

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