SHIELDS & COMPANY

MEMBER NEW YORK STOCK EXCHANGE

140 BROADWAY NEW YORK, NY 10005

RAYMOND E. MOORE, CFA
(212) 320-3065 **Trading (212) 320-3001** **March 4, 2009**

ray.moore@shieldsandco.com

UTILITIES

References
Regulated Utilities - AFUDC & the Other Side of Competitive Generation - 7/8/08
Financing Nuclear Generation - 7/23/08
EXC Next Cycle – Narrowing Margins - 9/17/08
Exelon Gets Antsy-NRG Responds - 11/10/08
Exelon/NRG Follow up - 11/12/08

Rating: Upgrade to Buy from Hold

Exelon Corporation (EXC)
(12–Month Price Target - $55)

Exelon	3/3						
Price - Intraday	45						
52-week range	92-41		-		Price	Ytd	1-Yr.
Book Value -12/31/08	16.34	273%	P/B	Performance	3/3	%	%
EPS ongoing, Non-GAAP		P/E	Return	Exelon	45	(20)	(42)
2003 Actual	2.61	17.1	16.9%	Phil. Electric Index	320	(20)	(37)
2004 Actual	2.78	16.1	19.6%	Dow Industrials	6,726	(23)	(45)
2005 Actual	3.09	14.5	22.9%				
2006 Actual	3.22	13.9	22.8%	Analyst Coverage	16	75%	Buys
2007 Actual	4.32	10.3	29.0%				
2008 Consensus	4.20	10.6	27.5%	Shares-millions	662		
2009 Consensus	4.20	10.6	27.5%				
Dividend Per Share	2.10	4.7%	Yield	Equity - $Billions	30		

GAAP Earnings Per Share: 2008 - $4.13, 2007- $4.05, 2006 - $2.35, 2005 - $1.36, 2004 - $2.78, 2003 - $1.38.

Overview

Exelon Corp. is primarily a non-regulated nuclear generator with 17,000 megawatts of low-cost capacity and an equity market capitalization of $30 billion. The stock is highly recommended by the investment community with 75% of the 16 analysts who follow the stock rating it buy/outperform. Operating margins stand to benefit from rising fossil fuel prices (net of hedged positions) and expiration of a cost-based purchase power agreement at PECO Energy beginning 2011. Also, legislation providing for a cap and trade program regulating CO_2 emissions can only benefit nuclear generation, although details will determine to what extent.

(Continued)

See page 6 of report for Analyst's Certification, pages 6-7 for Important Disclosures and page 7 for Other Disclosures and Disclaimers

Exelon's challenge has been how to grow business beyond margin expansion. Growth from 2001 through 2011 reflects benefits of written down nuclear investment, increased utilization, life extensions and rising fossil fuel prices. Without core business growth, multiples in commodity margin plays typically constrict at the end of an up cycle. Earlier plans to grow the business included acquisition of Public Service Enterprises (PEG-$26-NYSE-not rated), but it failed because of fierce regulatory resistance. Until the turmoil in the credit markets made cash king in 2008, management elected to buy back common stock, an earning per share booster but hardly a strategy for growing a business. Then came NRG Energy (NRG-$18-not rated).

New nuclear generation is expensive and we expect most capacity will be owned by integrated regulated utilities having the advantage of continuous regulatory oversight, a customer for the product once completed and construction work in progress in rate base. Merchant companies are comparatively small, and have no assured customers, making capital raising difficult with or without government guarantees. Exelon's tender for NRG Energy, although earnings neutral, adds to its nuclear portfolio and could provide important critical mass and a larger platform. Assuming the unfriendly tender for NRG succeeds, Exelon generation net plant rises from $8.9 billion to $20.4 billion, and common equity from $6.5 billion to $13.9 billion.

In the interim, Exelon's price performance has been dictated by the direction of energy prices. Exelon shares began 2008 at $83 a share, hit a peak of $92 a share mid year, and declined 51% to $45 a share currently. Oil and gas prices hit mid-year peaks of $145-plus a barrel and gas, $10.82-plus per mcf, only to drop to $42 a barrel, and $4.20 an mcf, respectively.

Year to date, Exelon's 20% price drop compares to a 23% decline in the Dow Industrials, 23% in the S&P 500, 20% in the Philadelphia 22-Electric Stock Index and 18% for the SPDR. For the trailing 12-months, Exelon's price declined 42%, outperforming both the S&P 500 (minus 48%) and the Dow Industrials (minus 45%) but underperforming the Philadelphia 22-Electric Index (minus 37%) and the SPDR (minus 38%).

Table 1
Comparative Performance
Major Indices

Column	(1)	(2)	(3)	(4)	(5)	(6)
		Price				
		3/3 Intraday	YTD %	3-mos %	6-mos %	1-yr %
S&P 500	SPX	696	(23)	(20)	(45)	(48)
Phila. Index	UTY	320	(20)	(19)	(34)	(37)
SPDR	XLU	24	(18)	(19)	(35)	(38)
Dow Ind.	INDU	6,726	(23)	(22)	(42)	(45)
Exelon	EXC	45	(20)	(19)	(38)	(42)

Source: Bloomberg Financial Service

Exelon is large, often used as a proxy for utilities and has a predictable earnings stream that could be enhanced as energy prices rise and cap & trade legislation is enacted. At $45 a share Exelon Corporation sells near its 12-month low of $41, trades at 10.6x 2009 earnings estimates of $4.20 a share while the $2.10 a share dividend represents a 50% payout and provides a 4.7% yield. Other large peer companies (Southern Company-SO-Hold, FPL Group-FPL-Hold, Dominion Resources-D-Buy, Duke Energy-DUK-Hold, PG&E Corp.-PCG-not rated) trade at multiples in the 9-12 range but lack the potential uplift to earnings.

We believe the risk/reward profile favors higher energy prices while acquisition of NRG Energy would add important critical mass to its generation assets. Our 12-month price target of $55 a share (20%) incorporates a 10x multiple on mid-point 2010 earnings of $5.50 a share. We are upgrading our rating from hold to buy.

Earnings Snapshot

Exelon Corporation reported on-going earnings of $4.20 a share for 2008, down 3% from $4.32 a share in 2007. Results were on target with September 2008 guidance toward the lower end of a $4.15-$4.30 a share range and at the midpoint of $4.00-

(Continued)

$4.40 a share guidance issued January 2008. Consensus estimates for the first half of 2008, however, were in the $4.70 a share area, well above guidance. Guidance for 2009 is $4.00-$4.30 a share. During the earnings release conference call, management reaffirmed a 2011 earnings uplift range (following completion of deregulation transition phase at PECO Energy) of $5.00-$6.00 a share. The current PJM futures curve would place earnings closer to the $5.00 a share area.

Exelon's consolidated return on average book was 26.8% in 2008. Generation dominates the profit profile, posting $3.46 a share, or 82% of ongoing consolidated results and a 42.2% return on average book. PECO Energy reported $0.49 a share (15.6% return on common and accounted for 12% of consolidated) while Commonwealth Edison reported $0.33 a share (3.3% return on common and 8% of consolidated). Other netted out to a negative $0.08 a share and a negative book of $5.58 a share).

Guidance by subsidiary for 2009 contains ranges of $3.10-$3.55 at Generation and $0.45-$0.55 a share for both PECO and Commonwealth Edison. The relatively flat outlook incorporates electric sales' declines of 1% for both Commonwealth Edison (CWE) and PECO Energy (PE) and level consolidated O&M ($4,500 million) despite $180 million increase in pension and OPEB expenses. The estimates also include $270 million of higher electric rates at CWE effective September 2008 and $75 million of increased gas rates in October.

Table 2
Earnings per Share Profile
2009-2003

	2009E		2008	2007	2006	2005	2004	2003
	Low	High						
Exelon	4.00	4.30	4.20	4.32	3.22	3.10	2.78	2.61
Generation	3.10	3.55	3.46	3.44	1.88	1.73	0.93	0.67
ComEd	0.45	0.55	0.33	0.30	0.78	0.77	1.15	1.21
PECO	0.45	0.55	0.49	0.75	0.67	0.76	0.68	0.69
Other			(0.08)	(0.17)	(0.12)	(0.14)	0.03	0.04
Consolidated	4.00	4.30	4.20	4.32	3.20	3.11	2.78	2.61

Sell-Side Opinion

According to Bloomberg Financial Service, Exelon Corporation has 16 active sell-side recommendations: 12 buys, 3 holds and 1 sell. Recent buy/outperform ratings have been issued by BMO Capital with a price target of $61 a share (35%), Deutsche Bank-$70 (55%), Goldman Sachs-$66 (47%), Bernstein-$70 (55%), Soleil-$69 (53%), BAC-ML-$64 (42%), and Macquarie-$82 (82%). The only sell/underweight rating was issued by Atlantic Equities.

Largest Holders

Exelon Corp.'s largest holders as of year end include Capital Research (39 million shares), Capital World (33 million shares), Barclays Global (27 million shares), State Street Corp. (26 million shares) and Vanguard Group (21 million shares).

NRG Tender

On February 26, Exelon announced that it had received tenders for 125 million shares of NRG Energy (51% of basic shares of 245 million - 275 million fully diluted). Table 3, columns 1-4 list the 2008 year-end financials for Exelon Generation, NRG Energy, and the pro forma Generation/NRG combination (column 4). Columns 5-6 list Exelon consolidated year-end financials (column 5) and pro forma results assuming purchase of NRG (column 6). The table also assumes NRG convertible preferred shares are converted to common. The table lists pro forma net plant, common equity, book value, goodwill, returns on book, capitalization, and capital structure.

(Continued)

(Continued)

The transaction could be modestly accretive, although management maintains that it's probably earnings neutral. On a simple arithmetic basis, it appears modestly accretive. In 2008 Exelon earnings were $4.20 a share. NRG Energy reported fully diluted earnings on continuing operations of $3.66 a share, including $1.09 a share ($315 million) of after-tax MTM profits, or a net of $2.57 a share. On a pro forma basis, the transaction in 2008 would have boosted operating earnings by 4% from $4.20 a share to $4.38 a share. In 2009, based on flat earnings at Exelon and consensus $2.40 a share for NRG Energy (Bloomberg), the transaction is 3% accretive or $4.33 a share versus $4.20 a share.

The acquisition would add size to a stand-alone Generation, a valuable component if the company were to build merchant nuclear. Exelon Generation may be the nation's largest nuclear generator at 17,000 megawatts but its total capitalization of $8,150 million, including $6,550 million in common equity, is modest versus planned nuclear projects that could be in the $15-$20 billion range. We doubt assets of ComEd or PECO Energy would be pledged to support Exelon's non-regulated ventures. Addition of NRG would raise generation capitalization to $24.9 billion from $8.2 billion and common equity to $13.9 billion, up from $6.6 billion.

Table 3
NRG Energy/Exelon Generation/Exelon Consolidated
(As of December 31, 2008)

Column	(1)	(2)	(3)	(4)	(5)	(6)
$ Millions	Generation Actual	NRG Actual	Adjustments	Pro Forma	EXC Actual	Pro Forma
Shares Diluted	662	275	133	795	662	795
Net Plant	8,907	11,545		20,452	25,813	37,358
% of Pro Forma	44%	56%		100%		
Common Equity	6,565	7,356		13,921	11,047	18,403
% of Pro Forma	47%	53%		100%		
Book Value	9.92	26.75		17.50	16.69	23.14
% of Pro Forma	57%	153%		100%		
Goodwill		1,718	1,143	2,861	2,625	5,486
% of Pro Forma		60%	40%		24%	30%
Per Share		6.25		3.60	3.97	6.90
Book Less Goodwill	6,565	5,638		11,060	8,422	12,917
Per Share	9.92	20.50		13.91	12.72	16.24
Earnings	2,278	706		2,984	2,781	3,487
Per Share	3.44	2.57		3.75	4.20	4.38
Return Gross Book	34.7	9.6		21.4	25.2	18.9
Ret. Net of Goodwill	34.7	12.5		27.0	33.0	27.0
Capitalization						
Debt	1,585	9,410		10,995	11,319	20,729
Preferred	0	0		0	87	87
Common Equity	6,565	7,356		13,921	11,047	18,403
Total	8,150	16,766		24,916	22,453	39,219
Capital Structure						
Debt	19.4	56.1		44.1	50.4	52.9
Preferred	0.0	0.0		0.0	0.4	0.2
Common Equity	80.6	43.9		55.9	49.2	46.9
Total	100.0	100.0		100.0	100.0	100.0

Note: Shields estimates and assumes conversion of preferred shares

(Continued)

(Continued)

Earnings & Return Profile

Table 4
Earnings & Return Profile
2008-2003

Column	(1)	(2)	(3)	(4)	(5)	(6)
	2008	2007	2006	2005	2004	2003
Exelon						
On Going Earnings	4.20	4.32	3.22	3.10	2.78	2.61
Pct Change EPS	(3)	34	4	11	7	
Pct of EPS	100	100	100	100	100	100
Avg. Book Value	15.67	14.87	14.13	13.50	13.54	12.33
Pct. Avg. Book						
Goodwill - Avg.	3.92	3.93	4.56	6.05	7.04	7.32
Book Net of Goodwill	11.74	10.94	9.56	7.45	6.50	5.01
Return on Avg. Book	26.8	29.1	22.8	22.9	20.5	21.2
Return Net Book	35.8	39.5	33.7	41.6	42.8	52.1
Shares Diluted-mil	662	676	676	676	669	658
Generation						
On Going Earnings	3.46	3.44	1.88	1.73	0.93	0.67
Pct Change EPS	0	83	9	86	38	
Pct of Total EPS	82	80	58	56	33	26
Avg. Book Value	8.19	7.29	7.00	5.89	4.54	4.47
Pct. Avg. Book	52	49	47	44	33	36
Return on Avg. Book	42.2	47.3	26.8	29.3	20.5	15.1
CWE						
On Going Earnings	0.33	0.30	0.78	0.77	1.15	1.21
Pct Change EPS	10	(61)	1	(33)	(5)	
Pct of Total EPS	8	7	24	25	41	46
Avg. Book Value	9.92	9.49	9.39	9.46	10.01	9.21
Pct. Avg. Book	63	64	66	70	74	75
Return on Avg. Book	3.3	3.2	8.3	8.1	11.4	13.1
Goodwill - Avg.	3.92	3.93	4.56	6.05	7.04	7.32
Book Value Net	5.99	5.55	4.83	3.41	2.97	1.89
Return Net	5.5	5.4	16.1	22.5	38.6	63.8
PE						
On Going Earnings	0.49	0.75	0.67	0.76	0.68	0.69
Pct Change EPS	(35)	11	(11)	12	(2)	
Pct of Total EPS	12	17	21	25	24	26
Avg. Book Value	3.14	2.77	2.41	2.52	1.69	1.36
Pct. Avg. Book	20.1	19	16	19	13	11
Return on Avg. Book	15.6	27.1	27.9	30.1	39.9	51.0
Other						
On Going Earnings	(0.08)	(0.17)	(0.12)	(0.14)	0.03	0.04
Pct Change EPS	-	-	-	-	(25)	
Pct of Total EPS	(2)	(4)	(4)	(5)	1	2
Avg. Book Value	(5.58)	(4.67)	(4.67)	(4.37)	(2.69)	(2.70)
Pct. Avg. Book	(36)	(31)	(33)	(32)	(20)	(22)
Return on Avg. Book	1.4	3.6	2.6	3.3	(1.2)	(1.6)

Analyst's Certification

I Raymond E. Moore certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report. Other Exelon reports issued by me are: 4/10/07 ($72) – Hold; 1/12/07 ($61) – Hold; 8/30/06 ($60) - Hold; 8/2/06 ($59) -Hold; 4/27/06 ($58) - Hold; 3/23/06 ($55) - Hold; 3/15/06 ($56) – Hold; 1/26/06 ($58) - Hold; 10/4/05 ($53) - Sell; 8/4/05 ($54) - Sell; 3/8/05 ($47) – Sell; 9/17/08 ($66) – Hold; 11/10/08 ($54) – Hold; 11/12/08 ($52) – Hold.

Important Disclosures

Guide to Investment Ratings:

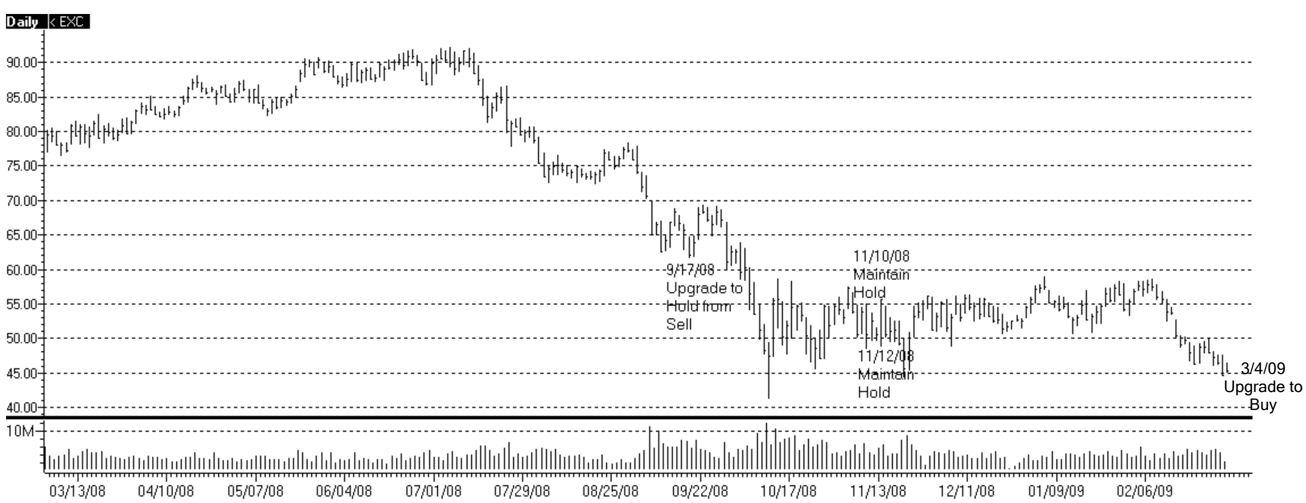
Buy Total return is expected to exceed significantly the average total return of the analyst's industry coverage universe over the next 12 months.
Market Perform & Hold Total return is expected to equal the average total return of the analyst's industry coverage universe over the next 12 months.
Sell Total return is expected to significantly under perform (15% plus) the total return of the industry coverage universe over the next 12 months.

Analyst's Ratings Distribution

		% Investment Banking
Buy	16%	0%
Hold	84%	0%
Sell	0%	0%

The principal risks to the achievement of our price targets include general market trends, disappointing earnings and lower energy prices and adverse regulatory developments

Our target prices are based on projected earnings for the following calendar year, and an assumed price/earnings ratio in line with the company's historical valuation or those of other companies with similar businesses and prospects.



Important Disclosures, continued

Capital Management Associates holds positions in the common shares of Exelon Corporation, Dominion Resources, Duke Energy, FPL Group, Public Service Enterprises, and Southern Company in managed accounts.

Neither Shields nor a director, officer or the research analyst has received any compensation for products or services from the subject company in the past 12 months.

Other Disclosures and Disclaimers

This research report and recommendations agree with the personal opinion of the analyst who prepared this report.

Any financial interest that the research analyst or member of the analyst's household or any other individual directly involved with the preparation of this report has in the subject company, has been disclosed in the Important Disclosures section.

Investing is a risky activity and can lead to substantial losses. This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. Shields & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

This report is not an offer to buy or sell any security or to participate in any trading strategy. Shields & Company and/or its employees not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report. Derivatives may be issued by Shields & Company or associated persons. The firm does not make a market in the shares of the companies mentioned, has no relationship with them, and has not received any compensation from them.

Shields & Company makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change apart from when we intend to discontinue research coverage of a subject company.

Reports prepared by Shields & Company and its research personnel are based on public information. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other business areas.

Shields & Company research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses from such visits.