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UTILITIES
Gross Margin Work Sheet Update
Prior Report - Upgraded to Buy – 3/4/09

Rating: Maintain Buy

Exelon Corporation (EXC)
Generation
Uplift in 2011 looks like $0.65 a share

Exelon	8/4						
Price Intraday	51						
52-week range	78-38				Price	Ytd	1-Yr.
Book Value -12/31/08	16.34	312%	P/B	Performance	8/4	%	%
EPS - ongoing Non-GAAP		P/E		Exelon	51	(8)	(31)
2003 Actual	2.61	19.5		Phil. Electric Index	391	(2)	(20)
2004 Actual	2.78	18.3		Dow Industrials	9,289	6	(18)
2005 Actual	3.09	16.5					
2006 Actual	3.22	15.8		Analyst Coverage	20	55%	Buys
2007 Actual	4.32	11.8					
2008 Actual	4.20	12.1					
2009 Consensus	4.12	12.4		Shares - millions	662		
2010 Consensus	4.05	12.6					
2011 Estimate	4.65	10.9					
Dividend Per Share	2.10	4.1%	Yield	Equity - $Billions	34		

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

Gross Margin Outlook

According to management, Exelon Generation will contribute 78%, or $3.23 a share, of mid-point guidance of $4.15 a share (range $4.00 to $4.30 a share) in 2009; the two distributors, Commonwealth Edison and Peco Energy, 12% each at $0.50 a share and Other, a negative $0.07 a share. Results in 2010 are expected to remain flat (consensus at $4.05 a share) assuming level sales and aggressive operation and maintenance cost cuts.

Investors had earlier anticipated a significant earnings uplift in 2011 following expiration of Peco Energy's under market purchase power contract with Generation at 2010 year-end and the beginnings of CO_2 trading. In a November 2007 Edison Electric Institute Financial Conference, management showed a slide depicting a 65% earnings increase through 2012 off a 2008 earnings base of $4.15-$4.30 a share ($6.75 to $7.10 a share). Less than a year ago, in October 2008, John Rowe, Exelon's Chief Executive Officer, in a conference call describing the proposed acquisition of NRG Energy (NRG-$27-Not Rated) as accretive cited consensus estimates of $4.53 a share in 2010, $6.25 a share in 2011 and $6.46 a share in 2012. Plummeting and volatile energy prices (natural gas - $13.00 to $3.35 to $4.00 per mcf; oil - $140 to $35 to $72 a barrel) lowered those forecasts.

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See page 5 of report for Analyst's Certification, pages 5-6 for Important Disclosures and page 6 for Other Disclosures and Disclaimers

On April 15, 2009, Management, in an effort to keep the investment community within a realistic range of projections, held a tutorial on its hedging strategies. It cautioned that the exercise doesn't represent company forecasts (but probably close enough for analyst/investor purposes). The data will be updated coincident with earnings releases the latest July 24, 2009.

Hedging strategy is based on a rolling 36 months. At mid-year, 2009, generation was 95% to 98% hedged, 2010 - 87% to 90% and 2011 - 59% to 62%. The high percentages in hedging in months 1 to 24 provide predictability while the final 12 months, with only 59% to 62% hedged, have significantly less certainty.

Table 1 contains our estimates of gross margins for the Midwest, Mid-Atlantic and ERCOT regions as of the July 24th earnings call; $6,672 million in 2009, $6,436 million in 2010 and $7,141 million in 2011. The increase in gross margins of $705 million ($7,141 million less $6,436 million) in 2011 represents a $0.65 a share earnings boost, net of income taxes. Assuming earnings in 2009/10 remain in the $4.00-$4.30 a share range, 2011 results could approach $4.65 to $4.95 a share.

Gross Margin Calculations

Gross margins in Table 1 are derived from supporting data in Table 3 as of the July 24, 2009 earnings conference call.

2009: The gross margin estimate in 2009 begins with Fleet Open Margin Gross of $5,100 million (provided by management) plus or minus the value of mark to market hedges. Midwest hedges are valued at a positive $1,733 million, Mid-Atlantic - negative $224 million, and ERCOT - positive $62 million.

Midwest hedge values ($1,733 million) are calculated as: the $17.58 a megawatt hour difference between effective realized energy prices of $47.00 a megawatt hour less the NI Hub ATC Energy Price of $29.42 a megawatt hour, multiplied by percentage of Midwest generation hedged (Table 3).

Mid-Atlantic hedge values (negative $224 million) represent the $4.05 a megawatt hour difference between the effective realized energy prices of $36.25 a megawatt hour less the PJM-WATC Energy price $40.30 a megawatt hour, multiplied by the percentage of Mid-Atlantic generation hedged.

ERCOT hedges ($62 million) are the difference between the effective realized North Spark Spread of $5.25 a megawatt hour less the North Spark Spread of negative $0.09 a megawatt hour multiplied by percentage of south generation hedged.

The beginning Fleet Open Margin of $5,100 million plus combined value of the hedges of $1,572 million equals estimated 2009 gross margin of $6,672 million.

The exercise is repeated for 2010 and 2011.

Table 1
Generation
Gross Margin Outlook

Column	(1)	(2)	(3)	(4)
MODEL 2009 Gross Margin $ Millions	Midwest	Mid-Atlantic	ERCOT	Total
Fleet Open Gross	------	5,100	------	5,100
MTM Value Hedges	1,733	(224)	62	1,572
Estimated Gross 2009				6,672
MODEL 2010 Gross Margin				
Fleet Open Gross	------	6,000	------	6,000
MTM Value Hedges	1,176	(778)	37	436
Estimated Gross 2010				6,436
MODEL 2011 Gross Margin				
Fleet Open Gross	------	6,150	------	6,150
MTM Value Hedges	637	336	18	991
Estimated Gross 2011				7,141

Source: Company Numbers and Shields Estimates

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Sensitivity

The exercise is highly sensitive to price changes in the out year (2011), where generation is hedged at 59% to 62%. For example, a combination of a $1.00 per million btu change in the effective realized energy price at Henry Hub works out to plus $280 million ($0.26 a share net of taxes) or minus $240 million ($0.22 a share net of taxes) – Table 2, Scenario 1.

In terms of megawatt hours, a change of $5.00/mwh in effective realized around-the-clock prices at both the NI Hub and PJMW raises or lowers gross margin by $375 million ($0.35 a share net of taxes) to minus $360 million ($0.34 a share net of taxes) – Table 2, Scenario 2.

A change of 1% in the nuclear capacity factor would plus or minus the sensitivity on margins by $55 million ($0.05 a share net of taxes) – Table 2, Scenario 3.

Management estimates that, within a 90% probability, the gross margin range as of the June 30, 2009 data will approach $6,700-$6,500 million in 2009 and $6,700-$6,100 in 2010. In 2011, the range widens to $8,400-$6,100.

Table 2
2011 Sensitivity
To Existing Hedges

	2011	
$-Millions, except per share	$	$
Scenario 1		
Henry Hub Natural Gas ($1/MMBTU)	280	(240)
Net of Income Taxes (38%)	174	(149)
Per Share - 662 million shares	0.26	(0.22)
Scenario 2		
NI-Hub ATC Energy Price ($5/MWH)	205	(195)
PJM-WATC Energy ($5/MWH)	170	(165)
Total	375	(360)
Net of Income Taxes (38%)	233	(223)
Per Share - 662 million shares	0.35	(0.34)
Scenario 3		
1% Change Nuclear Capacity Factor	55	(55)
Net of Income Taxes (38%)	34	(34)
Per Share - 662 million shares	0.05	(0.05)
Scenarios 1 & 3	0.31	(0.28)
Scenarios 2 & 3	0.40	(0.39)

Source: Company Numbers and Shields Estimates

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Table 3
Gross Margin Input
As of June 30, 2009 - Forward Prices and Hedges

Column	(1)	(2)	(3)
7/24 Quarterly Call	2009	2010	2011
% Hedged Total	95-98	87-90	59-62
Midwest	96-99	87-90	63-66
Mid-Atlantic	95-98	91-94	56-59
South	90-93	68-71	34-37
Gross Margin Probability Range			
95% Case	6,700	6,700	8,400
5% Case	6,500	6,100	6,100
Estimated Open Gross Margin	5,100	6,000	6,150
Expected Generation	169,800	165,500	164,700
Midwest	99,600	97,700	97,700
Mid-Atlantic	57,500	58,500	58,100
South	12,700	9,300	8,900
Total	169,800	165,500	164,700
Effective Realized Energy Price			
$-mwh			
Midwest	47.00	46.75	45.00
Mid-Atlantic	36.25	34.50	62.00
ERCOT North Spark Spread	5.25	3.50	4.75
Reference Prices (6/30/09)			
Henry Hub Gas	4.26	6.06	6.89
NI Hub ATC Energy Price	29.42	33.38	35.12
PJM-WATC Energy Price	40.30	48.64	52.21
ERCOT North Spark Spread	(0.09)	(2.17)	(0.77)

Source: Company Numbers and Shields Estimates

Other EXC 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

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Important Disclosures

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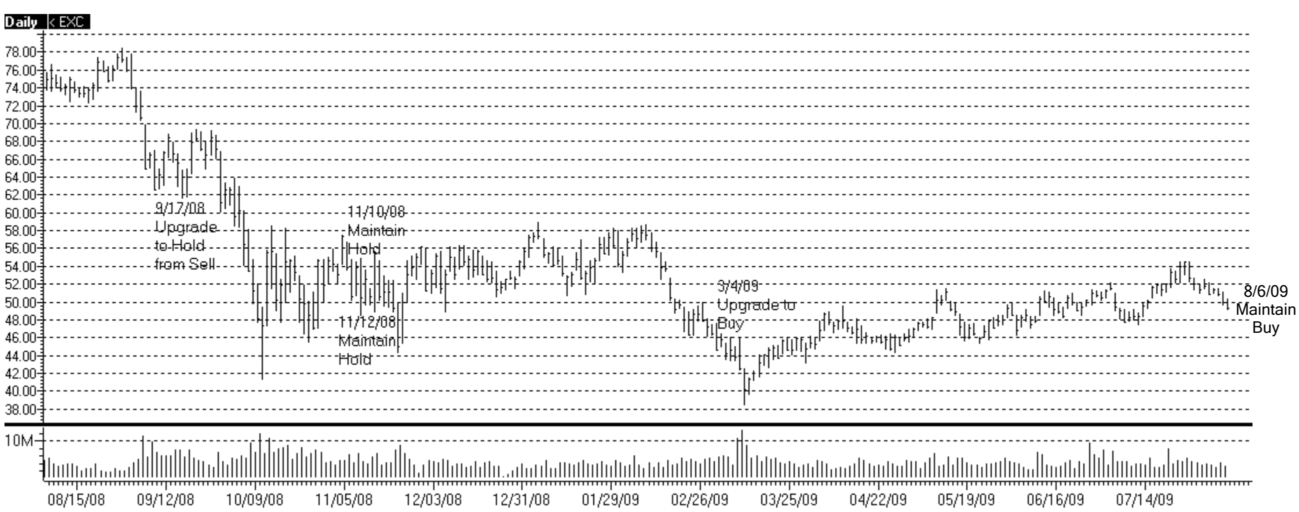
Buy Total return is expected to exceed significantly the average total return of the analyst's industry coverage universe over the next 12 months.
Market Perform & Hold Total return is expected to equal the average total return of the analyst's industry coverage universe over the next 12 months.
Sell 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	25%	0%
Hold	75%	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.



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