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Follow up on Earnings Call  
Prior report - August 6, 2009 – Buy-\$51

**Rating: Maintain Buy**

**Exelon Corporation  
(\$50-EXC)**

**Outlook: Generation Gross Margins - 2009-2011**

EXC	10/23							
Price Intraday	50							
52-week range	59-38							
Book 6/30/09	18.44	270%	-	P/B	Performance	Price	Ytd	1-Yr.
EPS ongoing						10/23	%	%
2005 Act.	3.09	16.1	P/E		EXC	50	(10)	(0)
2006 Act.	3.22	15.5	"		Phil. Elec. Index	396	(1)	3
2007 Act.	4.32	11.5	"		Dow Industrials	9,965	14	15
2008 Act.	4.20	11.9	"		Analyst Coverage	19		
2009 Consensus	4.11	12.1	"		Buys	11		
2010 Consensus	4.01	12.4	"		% Bias	58%		
2011 Est.	4.65	10.7	"		Shares-millions	658		
Dividend	2.10	4.2%	Yield		Mkt. Val. - \$Billions	33		

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

**Introduction**

During the third quarter call today, management narrowed its 2009 earnings guidance from \$4.00-\$4.30 a share to \$4.00-\$4.10 a share. The announcement caught few by surprise since consensus estimates were \$4.11 a share. Management will provide 2010 guidance at the Edison Electric Institute Financial Conference in November, but John Rowe, Chief Executive Officer, indicated that it could be a tough year. This too is expected by the financial community. The 2010 earnings forecast could be cut to the \$3.90-\$4.00 a share area.

Investors look for Exelon to provide upside in the event of increases in natural gas prices and as the nation's largest nuclear generator to benefit from "Cap & Trade" legislation. In this exercise we review the outlook for Exelon Generation gross for the 2009-11 periods (approximately 78% of consolidated results) based on the slide presentation in today's call. We also compare the forecast with our forecast following the second quarter call.

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

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### Generation Gross Margin - 2009-11

Table 1 compares Exelon Generation gross margin forecasts as of the third quarter earnings call (October 23, 2009) with the second quarter call (July 24, 2009). For the latest quarter, our gross margin estimate for 2010 is reduced by \$142 million (\$0.13 a share) and for 2011 to \$154 million (\$0.14 a share).

**Table 1**  
**Generation Gross Margin Forecast**  
**October 23, 2009 versus July 24, 2009**

Column	(1)	(2)	(3)	(4)
	10/23	7/24	Diff	PS
Gross Margin	\$-mil.	\$-mil.	\$-mil.	
2009	6,666	6,672	(6)	(0.01)
2010	6,294	6,436	(142)	(0.13)
2011	6,987	7,141	(154)	(0.14)

Table 2 isolates Generation earnings and assumes Commonwealth Edison and PECO Energy profits are unchanged in 2010 and 2011. Earnings for 2010 approach \$3.71 a share based on the third quarter call, down 3% versus \$3.84 a share in July.

**Table 2**  
**Earnings Per Share Difference**  
**October 23, 2009 versus July 24, 2009**

Column	(1)	(2)
	10/23/09	7/24/09
Earnings 2009	4.05	4.05
Change	(0.34)	(0.21)
Earnings 2010	3.71	3.84
Change	0.63	0.64
Earnings 2011	4.34	4.48

Earnings in 2011 are sensitive to price changes when generation hedges are in the 63%-66% area. A change of \$1.00/MMBTU in natural gas prices at Henry Hub could increase/lower earnings \$0.24/\$0.20 a share. A change of \$5.00 a megawatt hour at the NI and PJM hubs would plus or minus the forecast by \$0.32-\$0.30 a share.

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**Table 3**  
**2011 Sensitivities**  
**As of the October 23, 2009 Call**

\$-Millions, except per share	2011	
	\$	\$
<b>Scenario 1</b>	Plus	Minus
Henry Hub Natural Gas (\$1/MMBTU)	265	(225)
Net of Income Taxes @40%	159	(135)
Per Share - 661 million shares	0.24	(0.20)
<b>Scenario 2</b>		
NI-Hub ATC Energy Price (\$5/MWH)	185	(175)
PJM-WATC Energy (\$5/MWH)	165	(160)
Total	350	(335)
Net of Income Taxes @40%	210	(201)
Per Share - 661 million shares	0.32	(0.30)
<b>Scenario 3</b>		
% Change Nuclear Capacity Factor	50	(50)
Net of Income Taxes @40%	30	(30)
Per Share - 661 million shares	0.05	(0.05)

#### Gross Margin Components

**Table 4**  
**Gross Margin Forecast - 2009-11**  
**October 23, 2009**

10/23 Quarterly Call								
Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>MODEL 2009 Gross Margin</b>	Midwest	Mid-Atlantic	ERCOT	2009	Hedge +(-)	Taxes	Afitx	
Existing Hedges								
Fleet Open Gross	-----	4,850	-----					
MTM Value Hedges	1,885	(129)	60	6,666	1,816	726	1,090	1.65
<b>MODEL 2010 Gross Margin</b>				2010				
Existing Hedges								
Fleet Open Gross	-----	5,850	-----					
MTM Value Hedges	1,234	(825)	35	6,294	444	177	266	0.40
<b>MODEL 2011 Gross Margin</b>				2011				
Existing Hedges								
Fleet Open Gross		5,950						
MTM Value Hedges	697	314	26	6,987	1,037	415	622	0.94

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**Table 5**  
**Supporting Assumptions**  
**As of October 23, 2009**

Column	(1)	(2)	(3)
10/23 Quarterly Call	2009	2010	2011
% Hedged	98-100	88-91	63-66
Midwest	98-100	88-91	67-70
Mid-Atlantic	97-99	91-94	56-59
South	98-100	90-93	52-55
<b>Approximate Gross Margin Range</b>			
95% Case	6,700	6,500	8,200
5% Case	6,600	6,000	6,100
Estimated Open Gross	4,850	5,850	5,950
Expected Generation	168,900	166,800	164,900
Midwest	99,500	98,600	98,200
Mid-Atlantic	57,900	59,900	59,100
South	11,500	8,300	7,600
Total	168,900	166,800	164,900
<b>Effective Realized Energy Price</b>			
\$-mwh			
Midwest	47.00	46.50	44.50
Mid-Atlantic	36.00	33.75	60.50
ERCOT North Spark Spread	5.25	3.00	4.25
<b>Reference Prices (9/30/09)</b>			
Henry Hub Natural Gas (\$1/MMBTU)	4.04	6.21	6.87
NI-Hub ATC Energy Price (\$5/MWH)	28.06	32.75	34.36
PJM-WATC Energy (\$5/MWH)	38.23	48.40	51.50
ERCOT ATC Spark Spread	(0.01)	(1.51)	(1.94)

**Table 6**  
**Gross Margin Forecast - 2009-11**  
**As of July 24, 2009**

7/24/09 Call								661
Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>MODEL 2009 Gross Margin</b>	Midwest	Mid-Atlantic	ERCOT	2009	Hedge +-	Txs	Afitx	
Existing Hedges								
Fleet Open Gross	-----	5,100	-----					
MTM Value Hedges	1,733	(224)	62	<b>6,672</b>	1,572	629	943	1.43
<b>MODEL 2010 Gross Margin</b>				2010				
Existing Hedges								
Fleet Open Gross	-----	6,000	-----					
MTM Value Hedges	1,176	(778)	37	<b>6,436</b>	436	174	261	0.40
<b>MODEL 2011 Gross Margin</b>				2011				
Existing Hedges								
Fleet Open Gross	-----	6,150	-----					
MTM Value Hedges	637	336	18	<b>7,141</b>	991	396	595	0.90

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Table 7  
Supporting Assumptions  
As of July 24 2009

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
Approximate Gross Margin Range			
95% Case	6,700	6,700	8,400
5% Case	6,500	6,100	6,100
Estimated Open Gross	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)

## 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; 3/4/09 (\$55) – Buy; 8/6/09 – (\$51) - Buy.

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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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