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Follow up on Earnings Call

Prior reports –

October 23, 2009 – Buy - \$50

August 6, 2009 – Buy - \$51

Rating: Maintain Buy

**Exelon Corporation
(\$47-EXC)**

2010 Company Guidance and 2010-12 Earnings Outlook

EXC	11/5						
Price Intra	47						
52-week range	59-38				Price	Ytd	1-Yr.
Book 6/30/09	18.44	256%	P/B	Performance	11/5	%	%
EPS ongoing				EXC	47	(15)	(12)
2005 Act.	3.09	15.3	P/E	Phil. Electric Index	389	(2)	(0)
2006 Act.	3.22	14.7	"	Dow Industrials	9,969	14	9
2007 Act.	4.32	10.9	"				
2008 Act.	4.20	11.3	"	Analyst Coverage	18		
2009 Est.	4.05	11.7	"	Buys	10		
2010 Est.	3.80	12.4	"	% Bias	56%		
2011 Est.	4.50	10.5	"	Shares-millions	658		
2012 Est.	4.00	11.8	"				
Dividend	2.10	4.4%	Yield	Mkt. Val. - \$Billions	31		

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

Comment

Exelon Corporation is primarily a nuclear generator whose earnings benefit by margin expansion in a rising natural gas price environment. Also, as the nation's largest nuclear generator, the company will benefit from "Cap & Trade" legislation, or a regulatory fiat that places a price on carbon dioxide emissions. Declines in natural gas prices and delays in Cap & Trade legislation were major contributors to poor stock performances for year to date and 12 months trailing. The current price offers a reasonable 4.4% yield and significant earnings upside assuming commodity prices improve and Carbon Dioxide legislation is enacted. We are maintaining our Buy rating with a 12-month price objective of \$55-\$58 a share.

These comments review our report of October 23, 2009 following the third quarter earnings call, management guidance issued at the Edison Electric Institute Financial Seminar and our earnings outlook for the 2009-12 period based on commodity prices as of September 30, 2009.

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Guidance: In Exelon's third-quarter earnings call on October 23, 2009, John Rowe, Chief Executive Officer, narrowed 2009 earnings guidance to \$4.00-\$4.10 a share, down from \$4.00-\$4.30 a share. Rowe said he would provide 2010 guidance at the Edison Electric Institute (EEI) Financial Seminar on November 2-3, but stressed that it would be a tough year. We thought revised guidance would be in the \$3.90-\$4.00 a share range, but indicated in Table 2 of our 10/23 comments that generation profits could decline by \$0.34 a share. At the EEI, management issued 2010 guidance of \$3.60-\$4.00 a share. Consensus as of October 23, 2009 was \$4.01 a share. The company's earnings outlook takes into account a 10% decline in generation profits (based on midpoints) from \$3.46 a share in 2008 to \$3.10-\$3.15 a share in 2009 and a 14% drop to \$2.55-\$2.80 a share in 2010.

Table 1
Earnings Guidance

Column	(1)	(2)	(3)
	2008	2009	2010
Generation	3.46	3.10-3.15	2.55-2.80
Commonwealth Edison	0.33	0.50-0.55	0.60-0.70
PECO Energy	0.49	0.45-0.50	0.40-0.50
Other	(0.08)		
Exelon	4.20	4.00-4.10	3.60-4.00

Earnings Outlook: Management also provided support for calculating Generation gross margin through 2012 based on futures prices as of September 30, 2009. Table 2 lists our estimates of the after-tax earnings changes in generation for 2010 - minus \$0.32 a share, 2011 - plus \$0.61 a share and 2012 - minus \$0.63 a share. Table 2 begins with midpoint guidance of \$4.05 a share in 2009 and increases Distribution earnings \$0.10 a share in 2010 and 2011. Under this scenario, consolidated earnings are \$3.83 a share in 2010, \$4.54 a share in 2011 and \$3.91 a share in 2012.

Table 2
Earnings Profile Outlook*

Column	(1)	(2)	(3)	(4)
Earnings	2009	2010	2011	2012
Beginning		4.05	3.83	4.54
Generation		(0.32)	0.61	(0.63)
Distribution & Other		0.10	0.10	0.00
Earnings Per Share	4.05	3.83	4.54	3.91

*Prices as of September 30, 2009

The out years are less hedged and particularly sensitive to price changes. Hedging policy is geared around three year roll ups. Generation is almost 100% hedged in 2009, 88%-91% in 2010 and 63%-66% in 2011. Hedges account for only 32%-35% of 2012 output, subjecting profits to significant price sensitivity, hopefully from the low end of the cycle. A \$1.00 per mmbtu change at Henry Hub could plus/minus 2012 earnings by \$0.45-\$0.50 a share.

Moreover, Exelon, with 17,000 megawatts of nuclear capacity, is the nation's largest nuclear generator and would benefit from climate change legislation or regulation that prices carbon dioxide emissions. Management estimates that a \$15.00/ton carbon price could add \$10.00 a megawatt hour to NiHub ATC price, or roughly \$0.50 a share.

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**Table 3
Sensitivities
2011-2012**

\$-Millions, except per share	2011		2012	
	\$	\$	\$	\$
Scenario 1	Plus	Minus	Plus	Minus
Henry Hub Natural Gas (\$1/MMBTU)	265	(225)	525	(500)
Net of Income Taxes @40%	159	(135)	315	(300)
Per Share - 661 million shares	0.24	(0.20)	0.48	(0.45)
Scenario 2				
NI-Hub ATC Energy Price (\$5/MWH)	185	(175)	285	(280)
Net of Income Taxes @40%	111	(105)	171	(168)
Per Share - 661 million shares	0.17	(0.16)	0.26	(0.25)
Scenario 3				
PJM-WATC Energy (\$5/MWH)	165	(160)	270	(260)
Net of Income Taxes @40%	99	(96)	162	(156)
Per Share - 661 million shares	0.15	(0.15)	0.25	(0.24)
Scenario 4				
% Change Nuclear Capacity Factor	50	(50)	55	(55)
Net of Income Taxes @40%	30	(30)	33	(33)
Per Share - 661 million shares	0.05	(0.05)	0.05	(0.05)

*Prices as of September 30, 2009

**Table 4
Generation
Gross Margin Forecast
2009-2012**

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2009 Gross Margin	Midwest	Mid-Atlantic	ERCOT	2009	Hedge + (-)	Taxes	Net	PS
Existing Hedges								
Fleet Open Gross	-----	4,850	-----					
MTM Value Hedges	1,885	(129)	60	6,666	1,816	726	1,090	1.65
2010 Gross Margin				2010				
Existing Hedges								
Fleet Open Gross	-----	5,850	-----					
MTM Value Hedges	1,250	(825)	35	6,310	460	184	276	0.42
2011 Gross Margin				2011				
Existing Hedges								
Fleet Open Gross		5,950						
MTM Value Hedges	697	314	26	6,987	1,037	415	622	0.94
2012 Gross Margin				2012				
Existing Hedges								
Fleet Open Gross		5,850						
MTM Value Hedges	433	(1)	12	6,294	444	178	266	0.40

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Table 5
Generation
Supporting Assumptions

Column	(1)	(2)	(3)	(4)
EEI Handout	2009	2010	2011	2012
% Hedged	98-100	88-91	63-66	32-35
Midwest	98-100	88-91	67-70	41-44
Mid-Atlantic	97-99	91-94	56-59	20-23
South	98-100	90-93	52-55	22-25
Approximate Gross Margin Range				
95% Case	6,700	6,500	8,200	8,300
5% Case	6,600	6,000	6,100	4,600
Estimated Open Gross	4,850	5,850	5,950	5,850
Expected Generation	168,900	166,800	164,900	165,100
Midwest	99,500	98,600	98,200	97,000
Mid-Atlantic	57,900	59,900	59,100	59,800
South	11,500	8,300	7,600	8,300
Total	168,900	166,800	164,900	165,100
Effective Realized Energy Price				
\$-mwh				
Midwest	47.00	46.50	44.50	46.00
Mid-Atlantic	36.00	33.75	60.50	52.75
ERCOT North Spark Spread	5.25	3.00	4.25	5.75
Reference Prices (9/30/09)				
Henry Hub Natural Gas (\$1/MMBTU)	4.04	6.21	6.87	7.00
NI-Hub ATC Energy Price (\$5/MWH)	28.06	32.57	34.36	35.86
PJM-WATC Energy (\$5/MWH)	38.23	48.40	51.50	52.84
ERCOT ATC Spark Spread	(0.01)	(1.51)	(1.94)	(0.17)

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; 10/23/09 (\$50) – Buy.

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	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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