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CONSTELLATION ENERGY GROUP INC

Form 425

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Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12 of the Securities Exchange Act of 1934

Subject Company: Constellation Energy Group, Inc.

(Commission File No. 1-12869)

On May 19, 2011, Exelon began to use the following slides concerning the proposed merger and other information in a series of meetings with investors:

Investor Meetings
May 2011

Cautionary Statements Regarding
Forward-Looking Information

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Except for the historical information contained herein, certain of the matters discussed in this communication constitute forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, estimate, expect, project, intend, plan, believe, target, forecast, and words and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding benefits of the proposed merger, integration plans and expected synergies, the expected timing of completion of the transaction, anticipated future financial and operating performance and results, including estimates for growth. These statements are based on the current expectations of management of Exelon Corporation (Exelon) and Constellation Energy Group, Inc. (Constellation), as applicable. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements included in this communication. For example, (1) the companies may be unable to obtain shareholder approvals required for the merger; (2) the companies may be unable to obtain regulatory approvals required for the merger, or required regulatory approvals may delay the merger or result in the imposition of conditions that could have a material adverse effect on the combined company or cause the companies to abandon the merger; (3) conditions to the closing of the merger may not be satisfied; (4) an unsolicited offer of another company to acquire assets or capital stock of Exelon or Constellation could interfere with the merger; (5) problems may arise in successfully integrating the businesses of the companies, which may result in the combined company not operating as effectively and efficiently as expected; (6) the combined company may be unable to achieve cost-cutting synergies or it may take longer than expected to achieve those synergies; (7) the merger may involve unexpected costs, unexpected liabilities or unexpected delays, or the effects of purchase accounting may be different from the companies' expectations; (8) the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; (9) the businesses of the companies may suffer as a result of uncertainty surrounding the merger;

both
as
amended
by
the
Private
Securities
Litigation
Reform
Act
of
1995.
Words
such
as
may,
will,
anticipate,

Cautionary Statements Regarding

Forward-Looking Information (Continued)

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(10) the companies may not realize the values expected to be obtained for properties expected or required to be divested; (11) the industry may be subject to future regulatory or legislative actions that could adversely affect the companies; and (12) the companies may be adversely affected by other economic, business, and/or competitive factors. Other unknown or unpredictable factors could also have material adverse effects on future results, performance or achievements of the combined company. Discussions of some of these other important factors and assumptions are contained in Exelon's and Constellation's respective filings with the Securities and Exchange Commission (SEC), and available at the SEC's website at www.sec.gov, including: (1) Exelon's 2010 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 18; (2) Exelon's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 in (a) Part II, Other Information, ITEM 1A. Risk Factors, (b) Part I, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 12; (3) Constellation's 2010 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 12; and (4) Constellation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 in (a) Part II, Other Information, ITEM 5. Other Information, (b) Part I, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Notes to Consolidated Financial Statements, fully discussed in the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 that Exelon will file with the SEC in connection with the proposed merger. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this communication may not occur. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this communication. Neither Exelon nor Constellation undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this communication.

Commitments

and

Contingencies.

These

risks,

as

well

as

other

risks

associated

with

the

proposed

merger,

will

be
more

Additional Information and Where to Find It

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This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Exelon intends to file with the SEC a registration statement on Form S-4 that will include a joint proxy statement/prospectus and other relevant documents to be mailed by Exelon and Constellation to their respective security holders in connection with the proposed merger of Exelon and Constellation. **WE URGE INVESTORS AND SECURITY HOLDERS TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION** about Exelon, Constellation and the proposed merger. Investors and security holders will be able to obtain these materials (when they are available) and other documents filed with the SEC free of charge at the SEC's website, www.sec.gov. In addition, a copy of the joint proxy statement/prospectus (when it becomes available) may be obtained free of charge from Exelon Corporation, Investor Relations, 10 South Dearborn Street, P.O. Box 805398, Chicago, Illinois 60680-5398, or from Constellation Energy Group, Inc., Investor Relations, 100 Constellation Way, Suite 600C, Baltimore, MD 21202. Investors and security holders may also read and copy any reports, statements and other information filed by Exelon, or Constellation, with the SEC, at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 or visit the SEC's website for further information on its public reference room.

Participants in the Merger Solicitation

Exelon, Constellation, and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding Exelon's directors and executive officers is available in its proxy statement filed with the SEC by Exelon on March 24, 2011 in connection with its 2011 annual meeting of shareholders, and information regarding Constellation's directors and executive officers is available in its proxy statement filed with the SEC by Constellation on April 15, 2011 in connection with its 2011 annual meeting of shareholders. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

Transaction Overview

100%
stock

0.930
shares
of
EXC
for
each

share
of
CEG
Upfront
transaction
premium
of
18.1%
\$2.10 per share Exelon dividend maintained
Expect to close in early 1Q 2012
Exelon and Constellation shareholder approvals in 3Q 2011
Regulatory approvals including FERC, DOJ, MD, NY, TX
Executive Chairman: Mayo Shattuck
President and CEO: Chris Crane
Board of Directors: 16 total (12 from Exelon, 4 from Constellation)
Exelon Corporation
78% Exelon shareholders
22% Constellation shareholders
Corporate headquarters: Chicago, IL
Constellation headquarters: Baltimore, MD
No change to utilities
headquarters
Significant employee presence maintained in IL, PA and MD
Company Name
Consideration
Pro Forma
Ownership
Headquarters
Governance
Approvals &
Timing
(1) Based on the 30-day average Exelon and Constellation closing stock prices as of April 27, 2011.
5
(1)

Creating Value Through a Strategic Merger

Delivers financial benefits to both sets of shareholders

Increases scale and scope of the business across the value chain

Matches the industry's premier clean merchant generating fleet with the leading retail and wholesale customer platform

Diversifies the generation portfolio

Continued upside to power market recovery

Maintains a strong regulated earnings profile with large urban utilities

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Combining Exelon's generation fleet and Constellation's customer-facing businesses creates a strong platform for growth and delivers benefits to investors

and customers

Exelon Transaction Rationale

Increases
geographic
diversity
of
generation,
load
and
customers
in

competitive
markets

Shared
Commitment to
Competitive

Markets
Enhances
Scalable Growth

Platform
Creates
Shareholder
Value

Expands a valuable channel to market our generation
Enhances margins in the competitive portfolio
Diversifies portfolio across the value chain
EPS break-even in 2012 and accretive by +5% in 2013

Maintains
strong
credit
profile
and

financial
discipline

Maintains earnings upside to future environmental regulations and power market
recovery

Adds stability to earnings and cash flow
Adds mix of clean generation to the portfolio

Clean
Generation Fleet

This transaction meets all of our M&A criteria and can be executed

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This Combination Is Good for Maryland
Maintains employee presence and platform for growth in Maryland

Exelon's Power Team will be combined with Constellation's wholesale and retail
business
under
the
Constellation
brand
and

will
be
headquartered
in
Baltimore

Constellation and Exelon's renewable energy business headquartered in Baltimore

BGE maintains independent operations headquartered in Baltimore

No involuntary merger-related job reductions at BGE for two years after close
Supports Maryland's economic development and clean energy infrastructure

\$10 million to spur development of electric vehicle infrastructure

\$4
million
to
support
EmPower
Maryland
Energy
Efficiency
Act

25 MWs
of renewable energy development in Maryland

Charitable contributions maintained for at least 10 years
Provides direct benefits to BGE customers

\$5 million provided for Maryland's
Electric Universal Service Program (EUSP)

Over \$110 million to BGE residential customers from \$100 one-time rate credit
8

We will
bring
direct
benefits
to
the
State
of
Maryland,
the
City
of
Baltimore
and

BGE

customers. Total investment in excess of \$250 million.

5.8
0.5
9.1
Exelon
Constellation
23.2
27.8
MISO (TWh)
PJM (TWh)
South
(1)

(TWh)

ISO-NE & NY ISO

(2)

(TWh)

West (TWh)

Load

Generation

31.8

42.8

147.3

58.7

Exelon

Constellation

4.8

27.1

9.1

Exelon

Constellation

Exelon

Constellation

2.4

0.4

0.4

Exelon

Constellation

Load

Generation

Generation

Load

Load

Generation

Load

Generation

6.3

9.1

101.5

179.1

27.8

23.2

27.1

13.9

2.4

0.8

Portfolio Matches Generation with Load in

Key Competitive Markets

(1)

Represents load and generation in ERCOT, SERC and SPP.

(2)

Constellation load includes ~0.7TWh of load served in Ontario

Note: Data for Exelon and Constellation represents expected generation and load for 2011 as of 12/31/10.

Exelon load includes ComEd Swap, load sold through affiliates, fixed and indexed load sales and load sold through POLR auc
Constellation load includes load sold through affiliates, fixed and indexed load sales and load sold through POLR auctions.
The combination establishes an industry-leading platform with regional
diversification of the generation fleet

9

Transaction Economics Are Attractive for
Both Companies
EPS break-even in 2012 and accretive by +5% in 2013
Free cash flow accretive beginning in 2012
Run-rate synergies of ~\$260 million

Total
costs
to
achieve
of
~\$500
million

Synergies primarily from corporate consolidation and power marketing platform
integration
Lower consolidated liquidity requirements, resulting in cost savings
Investment-grade ratings and credit metrics

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Wolf Hollow Acquisition

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Wolf Hollow Overview

Diversifies generation portfolio

Expands geographic and fuel characteristics
of fleet

Advances Exelon and Constellation merger
strategy of matching load with generation in

key competitive markets
Creates value for shareholders

Purchase price compares favorably to cost of
new build

Free cash flow accretive beginning in 2012;
earnings and credit neutral

Eliminates current above market purchase
power agreement (PPA) with Wolf Hollow

Enhances opportunity to benefit from future
market heat rate expansion in ERCOT
Transaction expected to close in Q3 2011

Location

Granbury, Texas

Commercial Operation Date

August 2003

Nominal Net Operating Capacity

720MW

Equipment Technology

2 Mitsubishi combined-cycle gas
turbines

Primary Fuel

Natural Gas

Secondary Fuel

None

ERCOT = Electric Reliability Council of Texas

A Clean Generation Profile Creates Long-Term
Value in Competitive Markets

(1) Net of market mitigation assumed to be 2,648 MW.

(2)

Constellation generation includes Boston Generation acquisition (2,950 MW of natural gas) and excludes Quail Run (~550 MW) interest in Constellation Energy Nuclear Group LLC.

Exelon Standalone

Total Generation: 25,619 MW

Constellation Standalone

(2)

Total Generation: 11,430 MW

Pro forma Company (Net of Mitigation)

(1)

Total Generation: 34,401 MW

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Combined company remains premier low-cost generator

Coal

6%

Oil

8%

Gas

11%

Hydro

6%

Wind/Solar/Other

3%

Nuclear

67%

Coal

24%

Nuclear

17%

Gas

52%

Wind/Solar/Other

2%

Hydro

3%

Oil

3%

Nuclear

55%

Coal

6%

Oil

7%

Gas

24%

Hydro

6%

Wind/Solar/

Other

2%

Increased Regional Diversity in PJM:

Capacity

Eligible

for

2014/15

RPM

Auction

(1)

Pro forma Company

4,390 MW

2,535 MW

9,230 MW
11,345 MW
Exelon Standalone
Constellation Standalone
(1)
All
generation
values
are
approximate
and
not
inclusive
of
wholesale
transactions;
all
capacity
values
are
in
installed
capacity
terms
(summer
ratings)
located
in
the
areas
and
adjusted
for mid-year PPA roll-offs.
8,700 MW
10,300 MW
1,500 MW
1,035 MW
4,390 MW
1,045 MW
530 MW
14
2014/15 RPM auction results announced on May 13, 2011
42%
7%
51%
RTO
MAAC
EMAAC
8%
15%

15%

63%

EMAAC

MAAC

RTO

SWMAAC

16%

34%

41%

9%

RTO

EMAAC

MAAC

SWMAAC

15

15

15

ComEd Load Trends

Note: C&I = Commercial & Industrial

Weather-Normalized Load Year-over-Year

Key Economic Indicators

Weather-Normalized Load

(1)

Source: U.S. Dept. of Labor (March 2011) and Illinois
Department of Security (March 2011)

(2) Source: Global Insight February 2011

-6.0%

-3.0%

0.0%

3.0%
6.0%
1Q10
2Q10
3Q10
4Q10
1Q11
2Q11
3Q11
4Q11
-6.0%
-3.0%
0.0%
3.0%
6.0%
All Customer Classes
Large C&I
Residential
Gross Metro Product
Chicago
U.S.
Unemployment rate
(1)
8.5%
8.8%
2011 annualized growth in
gross
domestic/metro
product
(2)
2.5%
3.2%
2010
1Q11 2011E
Average Customer Growth
0.2%
0.4%
0.5%
Average Use-Per-Customer
(1.4)%
(2.2)%
0.1%
Total Residential
(1.2)%
(1.8)%
0.5%
Small C&I
(0.6)%
0.6%
(0.3)%

Large C&I

2.6%

1.4%

(0.1)%

All Customer Classes

0.2%

(0.1)%

0.0%

16

16

16

ComEd 2010 Rate Case Update

ComEd Reply Brief (2/23/11)

\$343M increase requested

11.50% ROE / 47.28% equity ratio

Rate base \$7,349M

2009 test year with pro forma plant additions through 6/30/11

ICC Staff Reply Brief Position (2/23/11)

\$113M increase proposed

10.00% ROE / 47.11% equity ratio

Rate base \$6,480M

Pro forma plant additions and depreciation reserve through 12/31/10

ALJ Proposed Order (4/1/11)

\$152M increase proposed (after correcting ~\$14M calculation error)

10.50% ROE / 47.28% equity ratio

Rate base \$6,629M

Pro forma plant additions and depreciation reserve through 12/31/10 with very limited exceptions

(ICC Docket No. 10-0467)

Illinois Commerce Commission Final Order will be issued by May 31

Illinois Power Agency (IPA)

RFP Procurement

Note: Chart is for illustrative purposes only.

REC = Renewable Energy Credit; RFP = request for proposal

June 2011

June 2012

June 2013

June 2014

Financial Swap Agreement with ExGen

(ATC

baseload

energy

only

notional
quantity 3,000 MW)

Term

Fixed Price

1/1/11-12/31/11

\$51.26/MWh

1/1/12-12/31/12

\$52.37

1/1/13-5/31/13

\$53.48

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Financial Swap

2010 RFP

2011 RFP

2011 RFP

2011 RFP

2012 RFP

2012 RFP

2012 RFP

2013 RFP

2013 RFP

2014 RFP

ICC has approved Long Term REC Procurement held in November 2010

1.26

Million

MWh

of

renewable

resources

annually

beginning

in

June

2012

under

20

year

contract

8 winning suppliers with an average 2012-13 plan-year price of \$55.18/MWh
Spring 2011 Procurement Plan

IPA Procurement Plan approved by the ICC

Standard Product bids due 5/16; ICC decision on 5/20

Annual REC bids due 5/18; ICC decision on 5/24

Provisions included:

Annual energy procurements over a three-year time frame

Target a 35%/35%/30% laddered procurement approach

No additional Energy Efficiency, Demand Response purchases

No additional long term contracts for renewables

No 10% overprocurement for summer peak energy
June 2015

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PECO Load Trends

Note: C&I = Commercial & Industrial

Weather-Normalized Load Year-over-Year

Key Economic Indicators

Weather-Normalized Load

(1) Source: U.S Dept. of Labor data March 2011 -US

U.S

Dept.

of

Labor

prelim.

data

February

2011

-

Philadelphia

(2) Source: Global Insight February 2011

-6.0%

-3.0%

0.0%

3.0%

6.0%

1Q10

2Q10

3Q10

4Q10

1Q11

2Q11

3Q11

4Q11

-6.0%

-3.0%

0.0%

3.0%

6.0%

All Customer Classes

Large C&I

Residential

Gross Metro Product

Philadelphia

U.S.

Unemployment rate

(1)

8.4%

8.8%

2010 annualized growth in

gross

domestic/metro

product

(2)

3.0%

3.2%

2010

1Q11 2011E

Average Customer Growth

0.3%

0.4%

0.4%

Average Use-Per-Customer

0.3%

0.2%

1.7%

Total Residential

0.5%

0.5%

Small C&I

(1.9)%

(1.1)% 0.1%

Large C&I

0.8%

(2.7)%

All Customer Classes

0.1%

(1.1)%

2.1%

(1.6)%

0.1%

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EPA Regulations Will Move Forward in 2011

2010

2011

2012

2013

2014

2015

2016

2017

2018

PJM RPM Auction

14/15

15/16

16/17

17/18

Hazardous Air

Pollutants

Criteria

Pollutants

Greenhouse

Gases

Coal

Combustion

By-Products

Cooling Water

Effluents

Develop Toxics Rule

Develop ICI

MACT

Pre Compliance Period

Compliance With Toxics Rule

Pre Compliance Period

Compliance With ICI MACT

Develop

Transport Rule

Compliance With Transport Rule

Interim CAIR

Develop O₃

Transport

Rule (TR 2)

Estimated Compliance

Develop Criteria

NSPS revision

Compliance with Revised Criteria NSPS

Develop Revised

NAAQS

SIP provisions developed in response to revised NAAQS

(e.g., Ozone, PM_{2.5}, SO₂, NO₂, NO_x/SO_x, CO)

Compliance with Federal GHG Reporting Rule

PSD/BACT and Title V Apply to GHG Emissions (PSD only for new and modified sources)

Develop GHG NSPS

Pre Compliance Period

Compliance With GHG NSPS

Develop Coal Combustion

By-Products Rule

Pre Compliance Period

Compliance With Federal CCB Regulations

Develop 316(b) Regulations

Pre Compliance Period

Phase In Of Compliance
Develop Effluent Regulations
Pre Compliance Period
Phase In Of
Compliance

Notes: RPM auctions take place annually in May.

For definition of the EPA regulations referred to on this slide, please see the EPA's Terms of Environment (<http://www.epa.gov>)

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2011 Events of Interest
Q1
Q2
Q3
Q4
RPM Auction results
(5/13)
Illinois Power Agency

RFP (5/16)
ALJ Proposed Order

DST Rate Case
(4/1)
Procurement RFP
(bids accepted 5/2;
results 5/18)
DST Rate Case Final
Order (by 5/31)

EPA Final Toxics
Rule (November)
Retirement of Cromby
1 & Eddystone 1 units
(5/31)

Proposed Toxics Rule
(3/16)
Procurement RFP
(bids due 9/19;
results by 10/19)

Retirement of
Cromby 2 unit
(12/31)

Proposed 316(b) EPA
Regulation (3/28)
EPA Final Transport
Rule (June)

For definition of the EPA regulations referred to on this slide, please see the EPA's Terms of Environment (<http://www.epa.gov>)

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Exelon Generation Hedging Disclosures
(as of March 31, 2011)

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Important Information

The following slides are intended to provide additional information regarding the hedging program at Exelon Generation and to serve as an aid for the purposes of modeling Exelon Generation's gross margin (operating revenues less purchased power and fuel expense). The information on the following slides is not intended to represent earnings guidance or a forecast of future events. In fact, many of the factors that ultimately will determine Exelon Generation's actual gross margin are based upon highly variable market factors outside of our control. The information on the following slides is as of March 31, 2011. We update this information on a quarterly basis.

Certain information on the following slides is based upon an internal simulation model that incorporates assumptions regarding future market conditions, including power and commodity prices, heat rates, and demand conditions, in addition to operating performance and dispatch characteristics of our generating fleet. Our simulation model and the assumptions therein are subject to change. For example, actual market conditions and the dispatch profile of our generation fleet in future periods will likely differ and may differ significantly from the assumptions underlying the simulation results included in the slides. In addition, the forward-looking information included in the following slides will likely change over time due to continued refinement of our simulation model and changes in our views on future market conditions.

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Portfolio Management Objective
Align Hedging Activities with Financial Commitments
Power Team utilizes several product types
and channels to market

Wholesale and retail sales

Block products

Load-following products
and load auctions

Put/call options
Exelon's hedging program is designed to
protect the long-term value of our
generating fleet and maintain an
investment-grade balance sheet

Hedge enough commodity risk to meet future cash
requirements if prices drop

Consider: financing policy (credit rating objectives,
capital structure, liquidity); spending (capital and
O&M); shareholder value return policy
Consider market, credit, operational risk
Approach to managing volatility

Increase hedging as delivery approaches

Have enough supply to meet peak load

Purchase fossil fuels as power is sold

Choose hedging products based on generation
portfolio

sell
what
we
own

Heat rate options

Fuel products

Capacity

Renewable credits
% Hedged
High End of Profit
Low End of Profit
Open Generation
with LT Contracts
Portfolio
Optimization
Portfolio
Management
Portfolio Management Over Time

24

24

Percentage of Expected
Generation Hedged

How many equivalent MW have been
hedged at forward market prices; all hedge
products used are converted to an
equivalent average MW volume

Takes ALL
hedges into account whether
they are power sales or financial products

Equivalent MWs Sold
Expected Generation

=

Our normal practice is to hedge commodity risk on a ratable basis over the three years leading to the spot market

Carry operational length into spot market to manage forced outage and load-following risks

By using the appropriate product mix, expected generation hedged approaches the mid-90s percentile as the delivery period approaches

Participation in larger procurement events, such as utility auctions, and some flexibility in the timing of hedging may mean the hedge program is not strictly ratable from quarter to quarter
Exelon Generation Hedging Program

25
25
2011
2012
2013

Estimated Open Gross Margin (\$ millions)

(1)(2)
\$5,250
\$4,900
\$5,500

Open gross margin assumes all expected generation is sold
at the Reference Prices listed below

Reference Prices

(1)
Henry Hub Natural Gas (\$/MMBtu)
NI-Hub ATC Energy Price (\$/MWh)
PJM-W ATC Energy Price (\$/MWh)
ERCOT North ATC Spark Spread (\$/MWh)

(3)
\$4.47
\$31.32
\$44.23

\$4.42
\$5.06
\$31.32
\$46.19
\$1.88
\$5.41
\$32.83
\$48.10
\$2.06

Exelon Generation Open Gross Margin and
Reference Prices

(1)

Based on March 31, 2011 market conditions.

(2)

(3)

ERCOT North ATC spark spread using Houston Ship Channel Gas, 7,200 heat rate, \$2.50 variable O&M.

Gross margin is defined as operating revenues less fuel expense and purchased power expense, excluding the impact of decommissioning. Gross margin is estimated based upon an internal model that is developed by dispatching our expected generation to current market conditions. Gross margin assumes there is no hedging in place other than fixed assumptions for capacity cleared in the RPM auctions and uranium fuel costs. Gross margin contains assumptions for other gross margin line items such as various ISO bill and ancillary revenues and costs and purchased power. Estimation of open gross margin incorporates management discretion and modeling assumptions that are subject to change.

26
26
2011
2012
2013
Expected Generation
(GWh)
(1)
165,800
165,400
162,800
Midwest
99,000
97,800
96,100
Mid-Atlantic
56,300

57,200

56,400

South & West

10,500

10,400

10,300

Percentage of Expected Generation Hedged

(2)

93-96%

73-76%

38-41%

Midwest

93-96

75-78

35-38

Mid-Atlantic

94-97

72-75

42-45

South & West

76-79

59-62

40-43

Effective Realized Energy Price

(\$/MWh)

(3)

Midwest

\$43.00

\$41.00

\$41.00

Mid-Atlantic

\$56.50

\$50.50

\$50.50

South & West

\$4.50

\$0.00

(\$3.00)

Generation Profile

(1)

Expected generation represents the amount of energy estimated to be generated or purchased through owned or contracted for a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes and options. Expected generation assumes 12 refueling outages in 2011 and 10 refueling outages in 2012 and 2013 at Exelon-operated generation. Expected generation assumes capacity factors of 93.0%, 93.6% and 93.1% in 2011, 2012 and 2013 at Exelon-operated nuclear plants. The 2011 and 2013 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization process.

(2)

Percent of expected generation hedged is the amount of equivalent sales divided by the expected generation. Includes all hedged sales of power, options, and swaps. Uses expected value on options. Reflects decision to permanently retire Cromby Station and

(3)

Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has

the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in capacity revenue, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices included in the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's

27

27

Gross Margin Sensitivities with Existing Hedges (\$ millions)

(1)

Henry Hub Natural Gas

+ \$1/MMBtu

-

\$1/MMBtu

NI-Hub ATC Energy Price

+\$5/MWH

-\$5/MWH

PJM-W ATC Energy Price

+\$5/MWH

-\$5/MWH

Nuclear Capacity Factor

+1% / -1%

2011

\$5

\$(5)

\$15

\$(10)

\$10

\$(10)

+/-

\$30

2012

\$145

\$(65)

\$145

\$(125)

\$90

\$(90)

+/-

\$45

2013

\$425

\$(380)

\$315

\$(310)

\$180

\$(175)

+/-

\$45

Exelon Generation Gross Margin Sensitivities

(with Existing Hedges)

(1)

Based on March 31, 2011 market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power revenue model that is updated periodically. Power prices sensitivities are derived by adjusting the power price assumption while keeping constant the correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may differ from the hedged gross margin impact calculated when correlations between the various assumptions are also considered.

28

28

95% case

5% case

\$5,500

\$7,100

\$6,800

\$6,200

Exelon Generation Gross Margin Upside / Risk
(with Existing Hedges)

\$3,000

\$4,000

\$5,000

\$6,000

\$7,000
\$8,000
\$9,000
2011
2012
2013
\$6,900
\$4,900
(1)

Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percentiles of supply is sold into the spot market. Approximate gross margin ranges are based upon an internal simulation model and are subject to market transactions and potential modeling changes. These ranges of approximate gross margin in 2012 and 2013 do not represent earnings. Exelon has not completed its planning or optimization processes for those years. The price distributions that generate this range are based on load following products, and options as of March 31, 2011.

29
29
Midwest
Mid-Atlantic
South & West
Step 1
Start
with
fleetwide
open
gross
margin
\$5.25 billion
Step 2
Determine
the
mark-to-market
value
of

energy hedges

99,000GWh * 94% *

(\$43.00/MWh-\$31.32MWh)

= \$1.09 billion

56,300GWh * 95% *

(\$56.50/MWh-\$44.23MWh)

= \$0.66 billion

10,500GWh * 77% *

(\$4.50/MWh-\$4.42/MWh)

= \$0.00 billion

Step 3

Estimate

hedged

gross

margin

by

adding open gross margin to mark-to-

market value of energy hedges

Open gross margin: \$5.25 billion

MTM

value

of

energy

hedges:

\$1.09billion

+

\$0.66billion

+

\$0.00

billion

Estimated hedged gross margin: **\$7.00 billion**

Illustrative Example

of Modeling Exelon Generation 2011 Gross Margin

(with Existing Hedges)

20
25
30
35
40
45
5/10
6/10
7/10
8/10

9/10
10/10
11/10
12/10
1/11
2/11
3/11
4/11
5/11
30
35
40
45
50
55
60
65
70
75
5/10
6/10
7/10
8/10
9/10
10/10
11/10
12/10
1/11
2/11
3/11
4/11
5/11
4.0
4.5
5.0
5.5
6.0
6.5
7.0
7.5
8.0
5/10
6/10
7/10
8/10
9/10
10/10
11/10
12/10
1/11

2/11
3/11
4/11
5/11
50
55
60
65
70
75
80
85
90
5/10
6/10
7/10
8/10
9/10
10/10
11/10
12/10
1/11
2/11
3/11
4/11
5/11

Market Price Snapshot

Forward NYMEX Natural Gas

PJM-West and Ni-Hub On-Peak Forward Prices

PJM-West and Ni-Hub Wrap Forward Prices

2012

2013

Rolling

12

months,

as

of

May

6

2011.

Source:

OTC

quotes

and

electronic

trading

system.

Quotes

are

daily.

Forward NYMEX Coal

2012

2013

2012 Ni-Hub

2013 Ni-Hub

2013 PJM-West

2012 PJM-West

2012 Ni-Hub

2013 Ni-Hub

2013 PJM-West

2012 PJM-West

th

\$5.49

\$54.37

\$52.35

\$42.66

\$40.60

\$82.04

\$78.21

\$40.97

\$39.03

\$27.24

\$25.18

\$5.21

31
8.0
8.2
8.4
8.6
8.8
9.0
9.2
9.4
9.6

9.8
10.0
5/10
6/10
7/10
8/10
9/10
10/10
11/10
12/10
1/11
2/11
3/11
4/11
5/11
35
40
45
50
55
60
65
70
5/10
6/10
7/10
8/10
9/10
10/10
11/10
12/10
1/11
2/11
3/11
4/11
5/11
3.5
4.0
4.5
5.0
5.5
6.0
6.5
7.0
7.5
8.0
5/10
6/10
7/10
8/10

9/10

10/10

11/10

12/10

1/11

2/11

3/11

4/11

5/11

Market Price Snapshot

2013

9.36

2012

9.23

2012

\$46.94

2013

\$50.23

2012

\$5.09

2013

\$5.37

Houston Ship Channel Natural Gas

Forward Prices

ERCOT North On-Peak Forward Prices

ERCOT North On-Peak v. Houston Ship Channel

Implied Heat Rate

2012

\$7.72

2013

\$9.00

ERCOT North On Peak Spark Spread

Assumes a 7.2 Heat Rate, \$1.50 O&M, and \$.15 adder

Rolling

12

months,

as

of

May

6

2011.

Source:

OTC

quotes

and

electronic

trading

system.

Quotes

are

daily.

4.5

5.5

6.5

7.5

8.5

9.5

10.5

11.5

12.5

13.5

5/10

6/10

7/10

8/10

9/10

10/10

11/10

12/10

1/11

2/11

3/11

4/11

5/11

th