



An Exelon Company

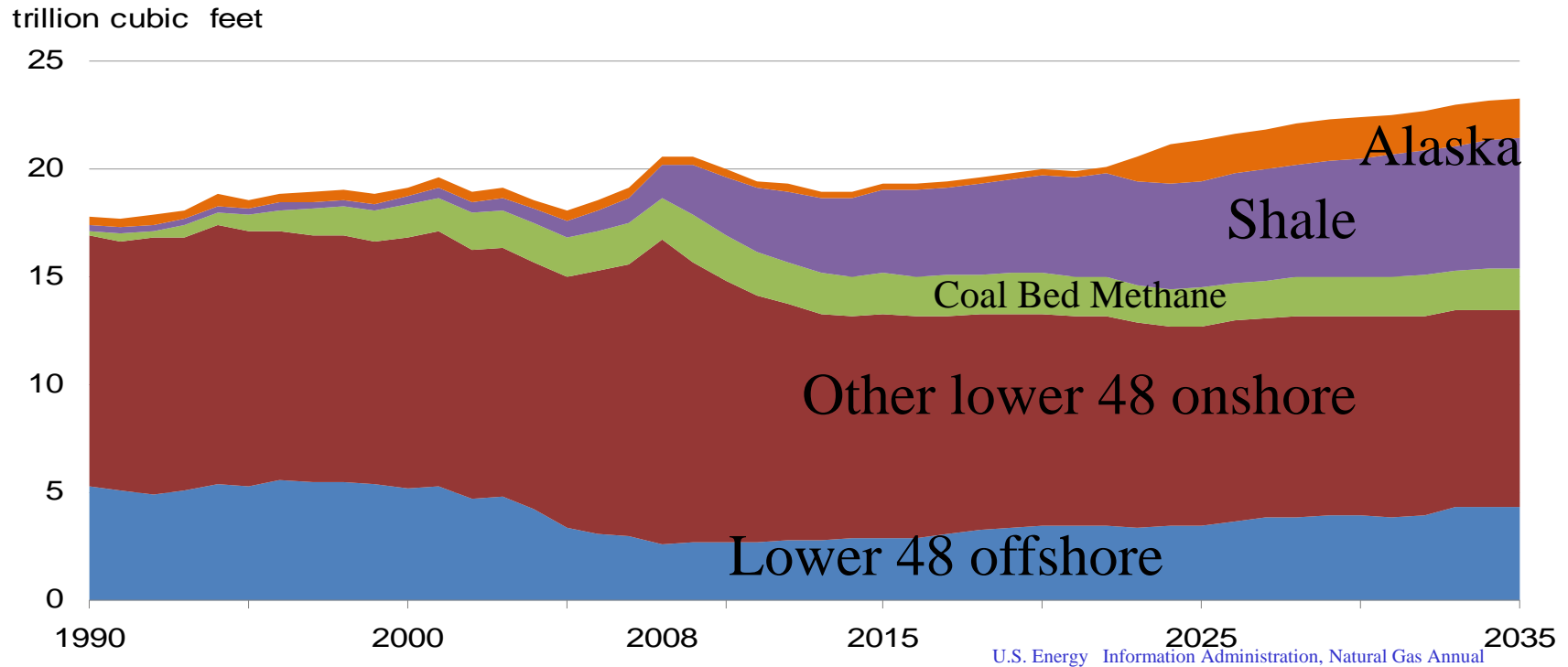
Pennsylvania Public Utility Commission
2010 Annual Winter Reliability
Assessment Meeting
November 4, 2010

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- Production: Increases driven by shale plays
- Storage: Projected to reach 2nd highest level on record
- Demand: EIA projects 2% decrease in residential consumption, but 2010 saw an increase in electric production use
- Marcellus: and other shales have changed the game
- Infrastructure: Significant capacity expansions have been made in the North East
- Weather: Outlook is moderate to slightly warmer winter
- Price: Outlook is to remain moderate
- PECO Energy: Winter Reliability Planning

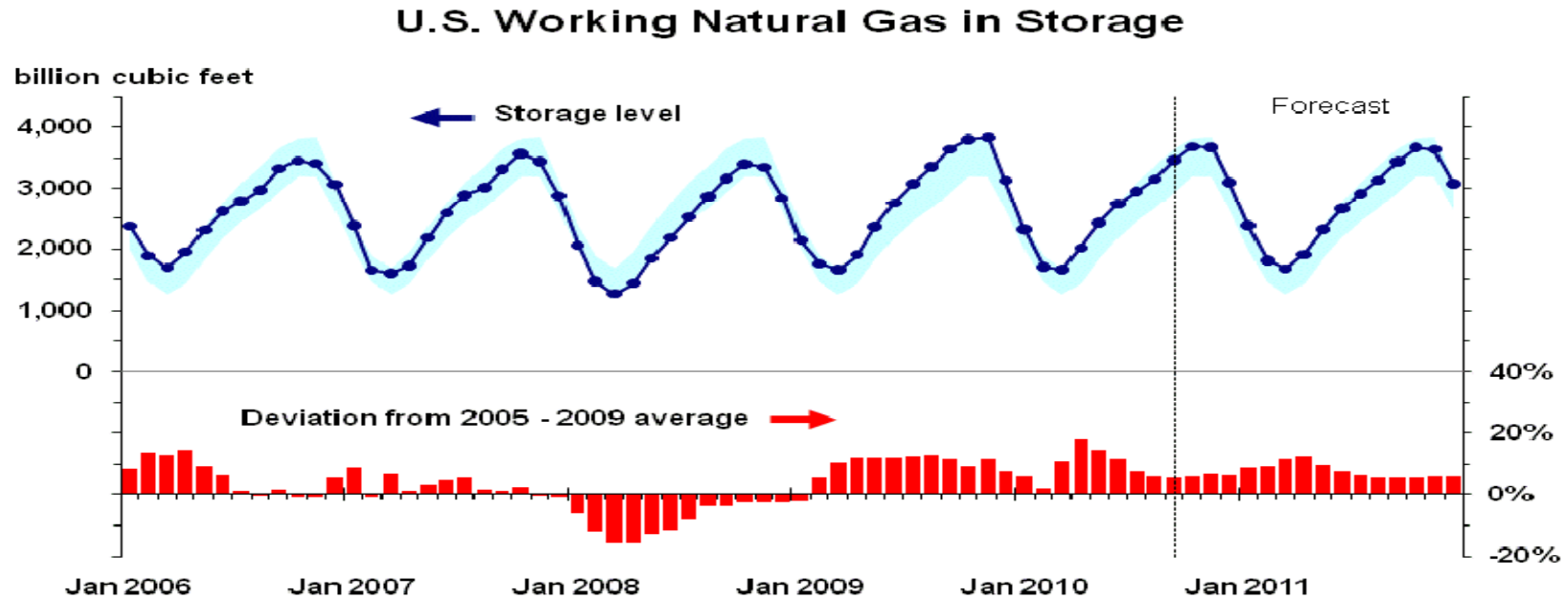
Production: Increases driven by shale plays

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- Production for 2010 increased by 3.5%
- National production has grown 23% in five years to 59 bcfd
- For lower 48, projected production increases are all from shale gas
- 971 gas rigs operating, up 35% from last year
- 55% of all rigs operating are horizontal (shale)
- PA has 55,631 producing gas wells in 2008, up 31% in five years
- Nationally there are 478,562, an increase of 20% in 5 years

Storage: Projected to reach 2nd highest level on record



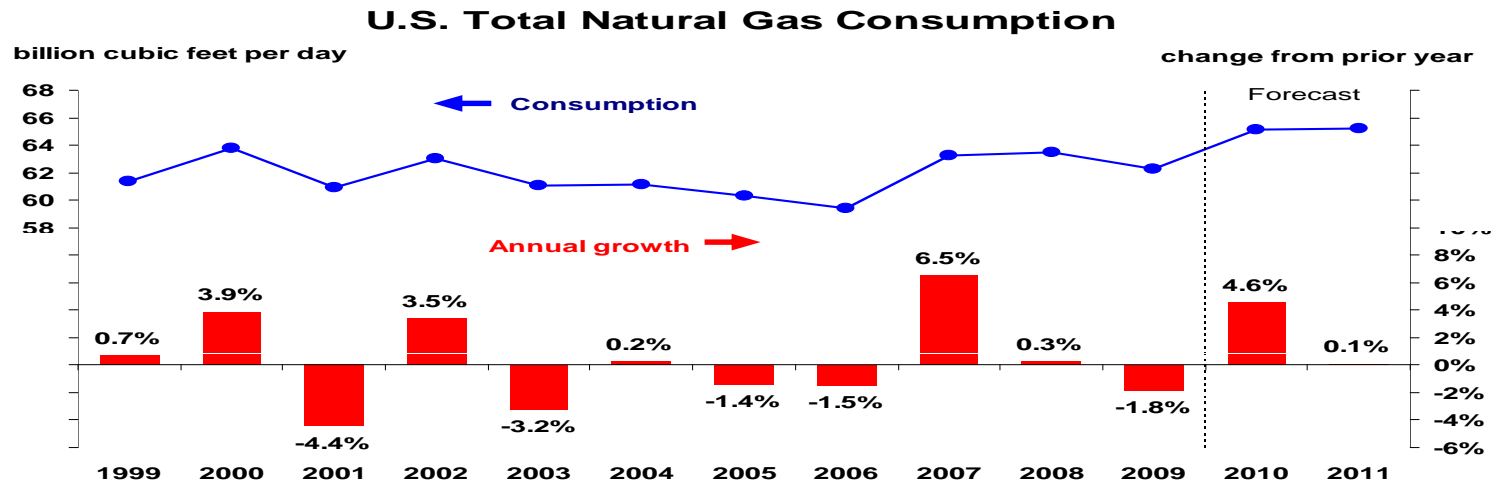
Note: Colored band around storage levels represents the range between the minimum and maximum from Jan. 2005 - Dec. 2009



Source: Short-Term Energy Outlook, October 2010

- 2010 inventory will be 220 BCF higher than the 5 year Average
- Storage capacity increased by 160 Bcf in 2010
- Inventories will approach 97% of last year's record levels
- Projected 3,726 BCF in storage by Oct 31

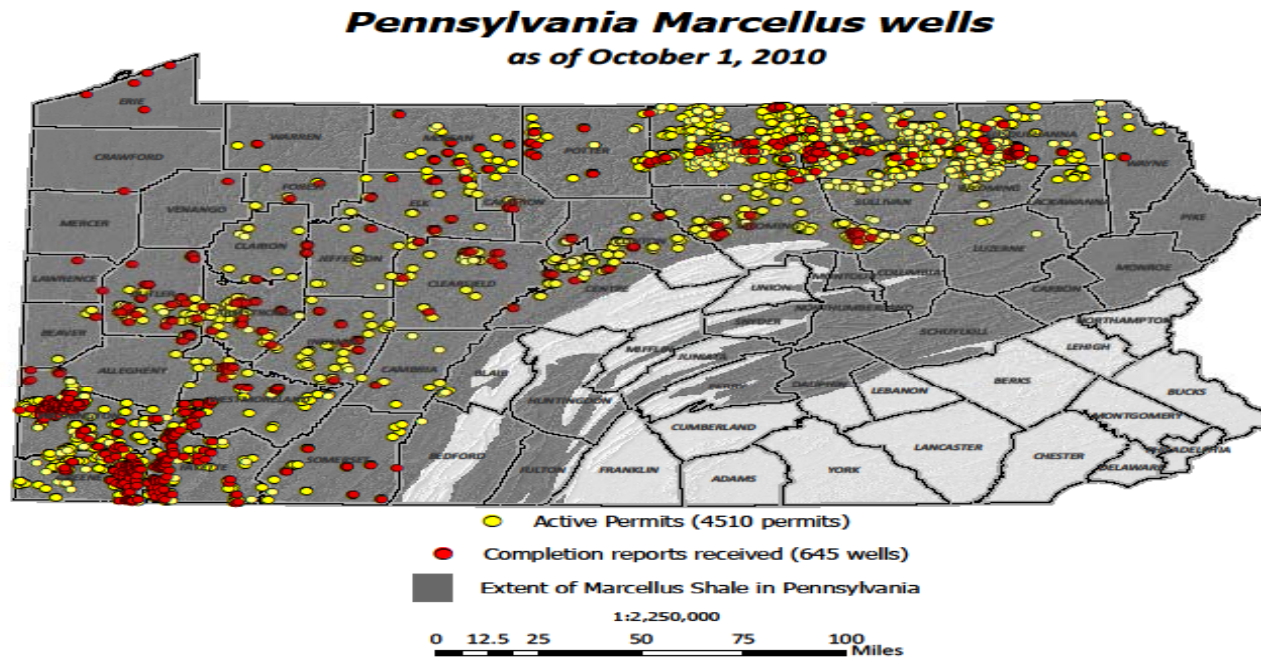
Demand: EIA projects 2% decrease...



Source: Short-Term Energy Outlook, October 2010

- Annual demand increase for 2010 estimated as 4.6%
- Annual demand for 2011 projected as 0.1% increase, reflects 1% growth in non-electric generation, residential, commercial and industrial usage, and slight decline in generation
- 2010 forecast gas use for electric production growth is 7.6% due to warm weather

Marcellus: and other shales have changed the game



Data Source: Active permits, Pennsylvania Department of Environmental Protection, www.depweb.state.pa.us, October 2010; Completion reports received, Pennsylvania Geological Survey, October 2010;

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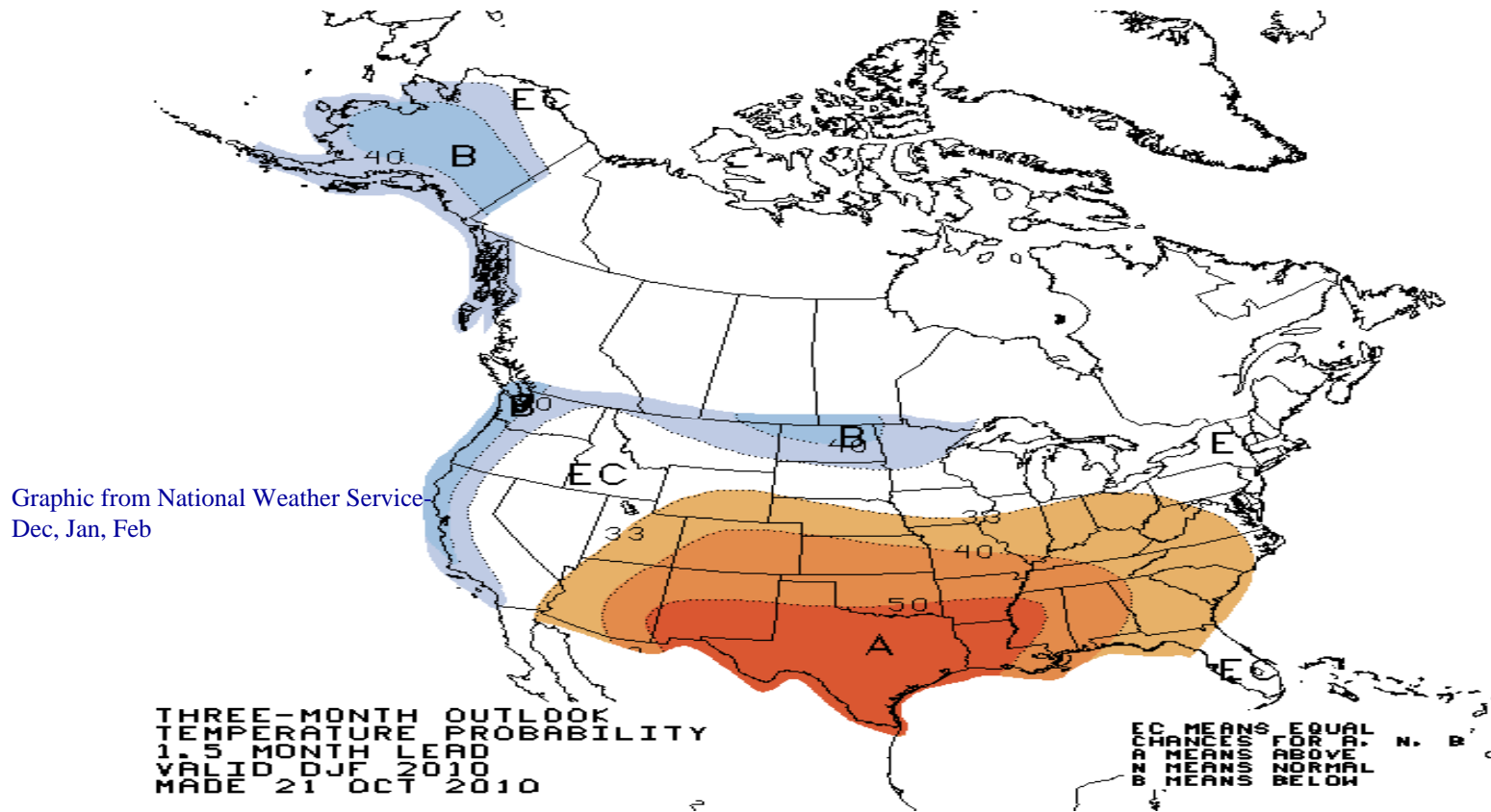
- Marcellus production increased from 0.06 bcf/d in 2008 to 1.28 bcf/d in 2010
- 2011 Projection is 2.48 bcf/d
- Cost of developing wells has declined with improvements to frac tech
- Robust drilling fueled by economics of vicinity to market, "Hold by Production" contracts, and expensive land/sunk cost for Joint ventures
- Break even is approximately \$3.00 NYMEX for core PA- lowest among the shales
- Short turn around time

Infrastructure: Significant expansions have been made in the North East

<u>2010 NE Expansion Projects</u>			<u>2009 NE Expansion Projects</u>		
	Capacity MMcfd	Pipeline		Capacity MMcfd	Pipeline
Cob Expansion	70	Columbia	Clarrington	1800	Rex
Delta Lateral	208	Transco	DTI Hub	200	DTI
Majorsville	225	Columbia	Northern Bridge	150	TETCO
East West Project	281	Algonquin	Sentinel Phase II	281	Transco
Hub II Expansion	20	DTI	Iroquois 09/09 Phase II	2.5	Iroquois
Hub III Expansion	224	DTI	J-2 Loop	140	AGT
WB Line	200	Columbia			
Total	1228		Total	2573.5	

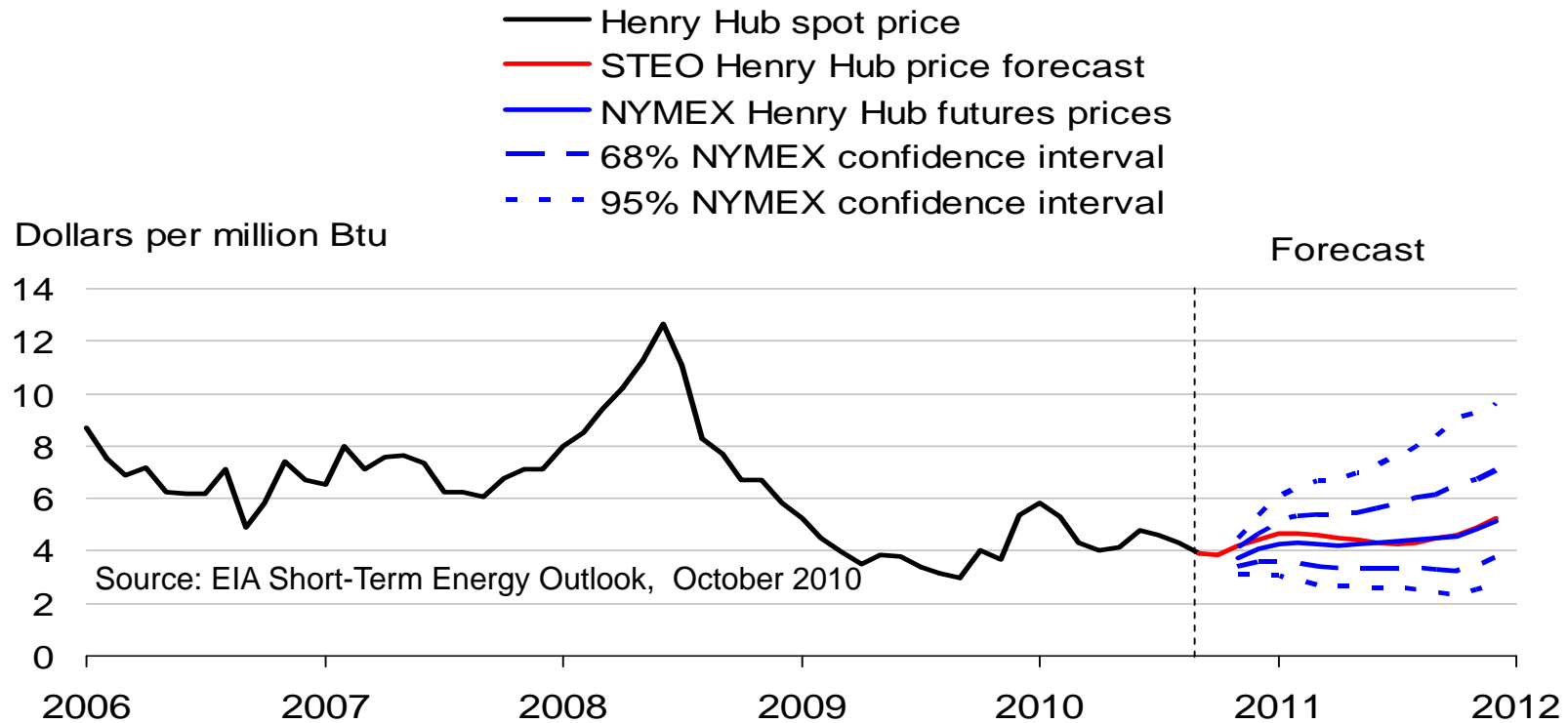
- Other than Rex, the primary driver for the expansions is to transport shale gas
- Significant expansions made nationally
- LDCs are less frequently the subscribers of new transport





- NOAA “Moderate to strong “La Nina” thus: cooler North West, Northern plains, milder West and South, typical Mid-Atlantic and North East”
- October through March, 3% warmer than last year, 1% lower than 30 year average
- PECO’s forecast mostly concurs, mild winter in the South, cooler in the West, moderate in the East

Price: Outlook is to remain moderate



- EIA calls for 4.% increase in natural gas home heating bills 2010 vs. 2009. (6% price increase less 2% usage decline)
- EIA projects \$4.16 Henry Hub for 4Q 2010, \$4.68 for Jan., and \$4.58 for 2011
- Record demand for gas for electric generation influenced 2010 prices compared to 2009
- North East basis has declined, Transco Z6 non was \$0.63 in Oct 2008, currently is \$0.37

- Complete Design day and winter demand plan
 - 0° F degree day
 - probability of occurrence 4.6%
 - 795,000 mcf sendout
- Procure proper interstate transportation and storage
 - 8 storage service on 6 pipelines-22 bcf of inventory, 358,000 dth WQ
 - FT Long haul to gate from production area to gate 345,118 dth
 - Primary firm, "in path" transportation
 - \$80 million is transportation and storage demand charges
- Procure Winter Supply
 - All suppliers are under NAESB contracts
 - All suppliers meet PECO credit standards
 - Prefer a history with all base load suppliers
- Supply Portfolio Diversity
 - 11 base load suppliers
 - 7 other spot suppliers
 - 16 planned purchase locations
 - 8 storage withdraw locations
 - 6 pricing mechanisms
- Storage management plan to maintain 100 % deliverability through Feb 15th
- On system LNG and Propane, 157,000 and 25,000 mcf deliverability
- PECO's distribution system improvements, invest to improve system capacity and reliability.
- PECO's Winter Readiness Plan
- Interruption Policy

The combination of robust supply and expanded transmission infrastructure puts PECO in an excellent position to meet our obligation to provide least cost, reliable natural gas for our customers