

The Exelon logo features the word "Exelon" in a blue sans-serif font, with a green power button symbol integrated into the letter "o".

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PSEG

Exelon – PSEG Merger
Illinois Commerce Commission
Electric Policy Committee Meeting
February 23, 2005

Agenda

- **Overview of Companies & Transaction**
- **Timelines**
- **Corporate Structure**
- **Complementary Skills**
- **Benefits to Illinois Consumers**
- **Market Power Mitigation Plans**
- **Q&A**

Presenters:

**Frank Clark, Executive Vice President & Chief of Staff - Exelon;
President - ComEd**

**Betsy Moler, Executive Vice President, Government and Environmental
Affairs and Public Policy - Exelon**

Overview: Exelon & PSEG

A Compelling Combination

- **Large, balanced energy portfolio**
- **Enhanced service to the largest customer base in the industry**
 - Improved nuclear performance (Exelon strength)
 - Improved distribution company performance (PSEG strength)
- **Common business and regulatory framework**
 - Companies are industry leaders in support of wholesale and retail competition
 - All states have retail choice
 - Corporations have already restructured
 - New Jersey has an auction procurement process; Illinois considering auction
- **Strengthened financial performance**

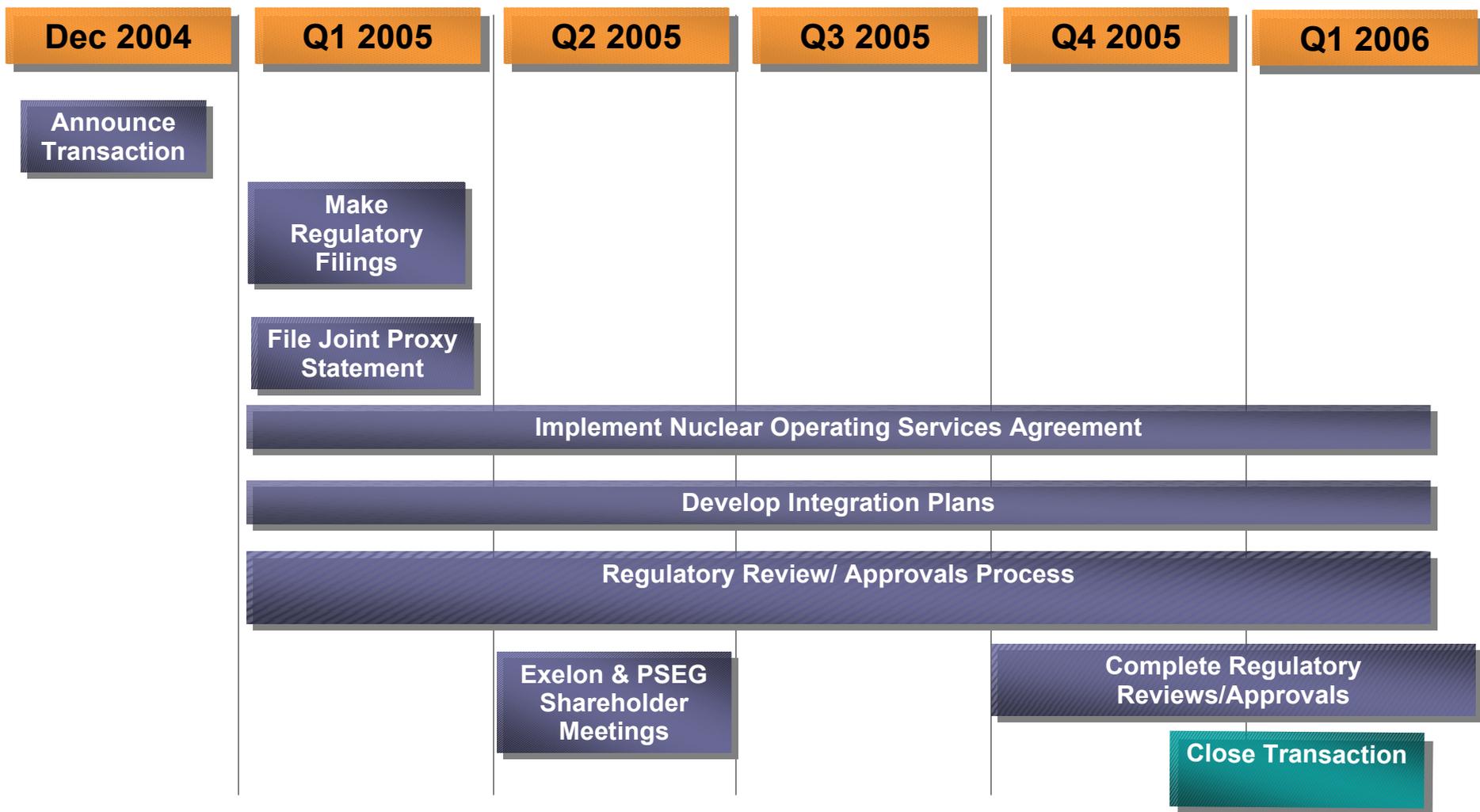
Overview:

Key Transaction Terms

Offer Price:	1.225 shares of Exelon per PSEG share
Ownership:	68% Exelon shareholders 32% PSEG shareholders
Governance:	John W. Rowe to be CEO E. James Ferland to be non-executive Chairman (until 3/07) 18 Board members — 12 nominated by Exelon — 6 nominated by PSEG
Timing:	Expected to close within 12-15 months from merger announcement Goal – By December 31, 2005
Nuclear Agreement:	Operating Services Contract starts 1/05
Regulatory Review/Approvals	Shareholders Federal: FERC, DOJ, NRC, IRS, FCC, SEC States: NJ, PA, IL, NY, CT
Corporate Headquarters:	Chicago, Illinois

Timeline:

Goal - Close By December 31, 2005



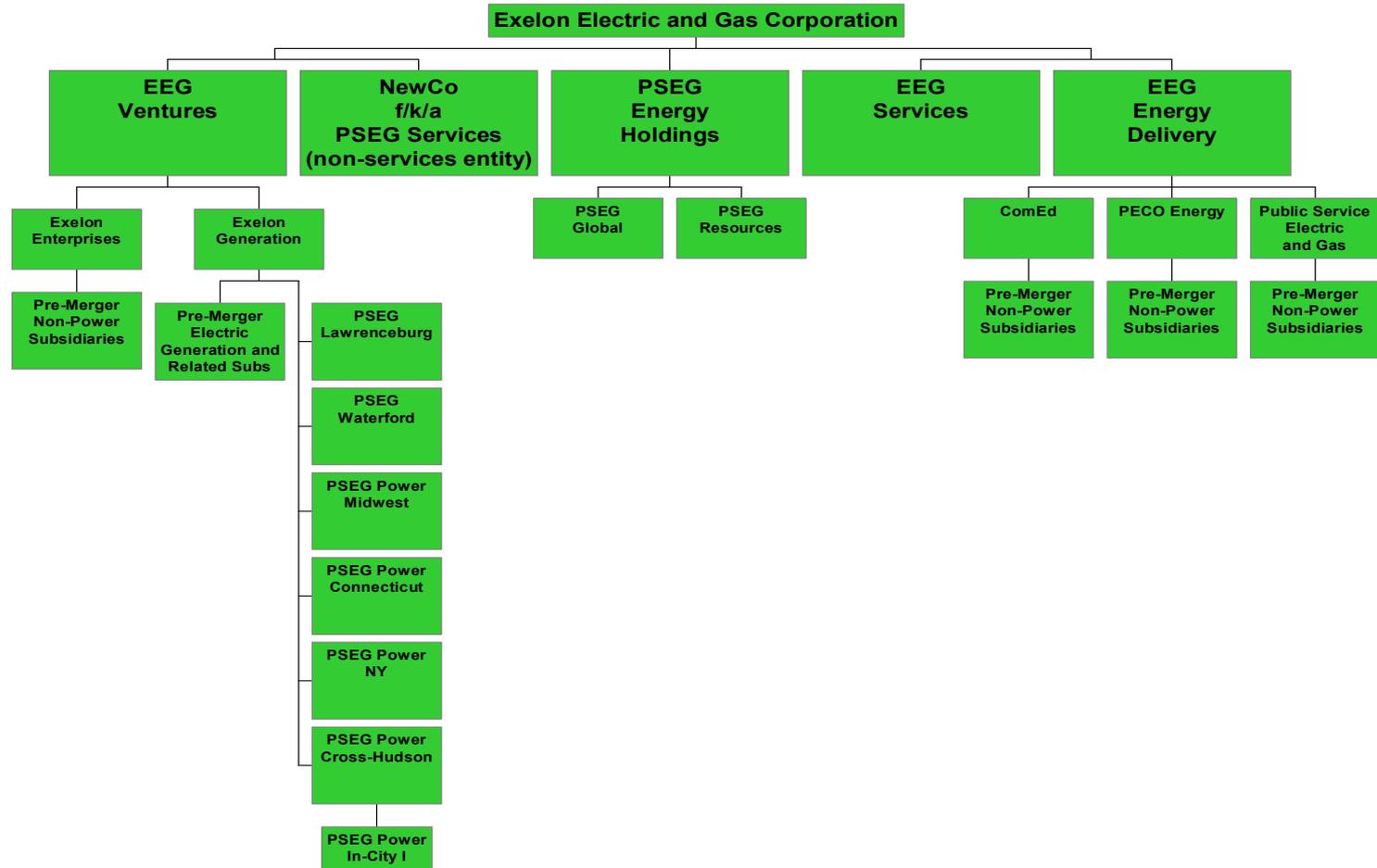
Corporate Structure: Merger

- **Merger will occur at the Holding Company level – PSEG will merge into Exelon**
- **Public Service Electric & Gas will become a subsidiary of Exelon Energy Delivery and a sister utility to ComEd and PECO**
- **ComEd's corporate form is unchanged**
- **No impact on ComEd's financial statements from the transaction**

Corporate Structure: Staffing Impacts

- **We expect staffing reductions to approximate 5% of combined Exelon & PSEG employee base of 28,000, primarily in management and administrative positions (~ 1400 – 1500 employees total)**
- **All union contracts will be honored**
- **Illinois employment impacted minimally**
 - **Current Exelon Illinois employment is 11,400**
 - **Estimated IL reduction ~ 300**
 - ~ 100 ComEd employees
 - Remainder primarily from service company
 - Reductions target management positions, no field force reductions
- **Where practical, reductions will be made through attrition; otherwise severance programs will be used**

Corporate Structure: Exelon Electric & Gas (EEG)



Complementary Skills: Opportunity For Improved T&D Reliability

2004 Key Performance Indicators	Exelon Energy Delivery		PSE&G	
	Performance	Quartile*	Performance	Quartile*
Reliability – Outage Frequency (SAIFI)**	1.10	2nd	0.64	1st
Reliability – Outage Duration (CAIDI)**	121	4th	69	1st
Customer Satisfaction (ACSI)	70	4th	72	3rd
Safety (OSHA Recordables Rate)	1.88	1st	1.97	1st
Total T&D \$/Customer	\$260	3rd	\$191*	1st

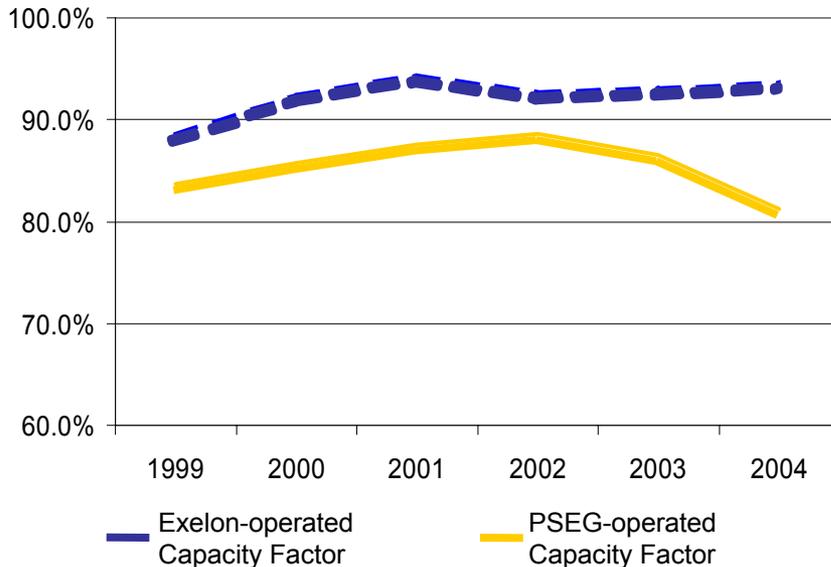
- PSE&G has proven track record for reliable, cost effective T&D operations
- Exelon Energy Delivery reliability has improved -- committed to further improvements
- Focus on customer satisfaction

* Based on 2003 data

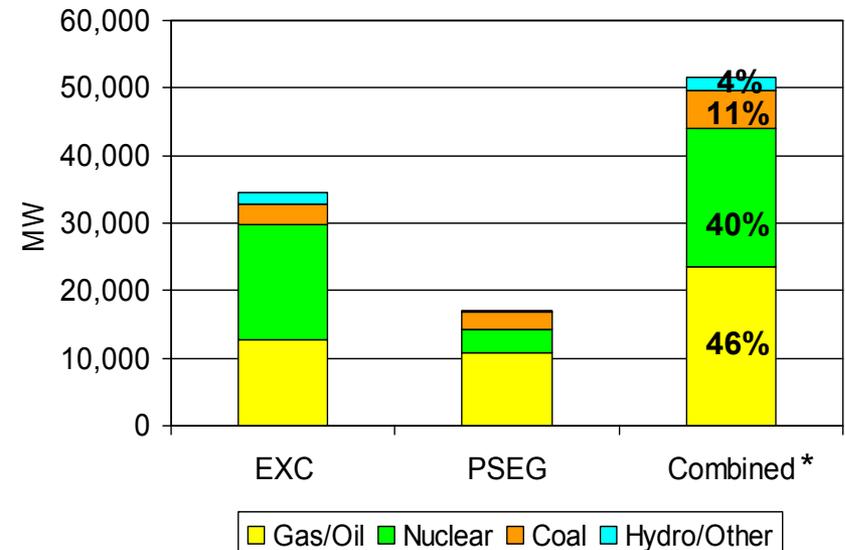
** Based on IEEE excluding major events and planned outages

Complementary Skills: Strong Generation Platform

Strong Nuclear Performance



Balanced and Diverse Generation Portfolio



* Prior to Mitigation

- **Exelon has proven track record of improving and sustaining safety, operating and cost performance**
- **Significant opportunity to improve PSEG fleet performance under Nuclear Operating Services Contract, starting January 2005**
- **Improved nuclear capacity factor will increase amount of low-cost capacity available in PJM which, all else equal, should result in lower overall market prices**
- **Experienced leader in wholesale power marketing and risk management**

Benefits to Illinois Consumers: Merger will result in cost efficiencies

- **ComEd is expected to realize cost efficiencies in the following areas:**
 - **Lower shared services costs, including IT costs**
 - **Utility back-office support staff (e.g. standards, engineering, billing system support)**
 - **General business unit management**
 - **Supply-chain efficiencies**
- **Achieving savings will require significant up-front costs-to-achieve, such as severance and investment in IT systems**
- **ComEd savings, net of costs to achieve, are estimated at (\$26M) in 2006, increasing to \$35M in 2009**
- **These savings will help to offset increasing ComEd costs such as inflation, wages rates, and rising health care costs**

Additional Benefits to Illinois Consumers

- **Shared best practices**
- **Improved reliability**
- **Retention of major corporate headquarters in Illinois**
- **Cost savings flowing to consumers over time**

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PSEG

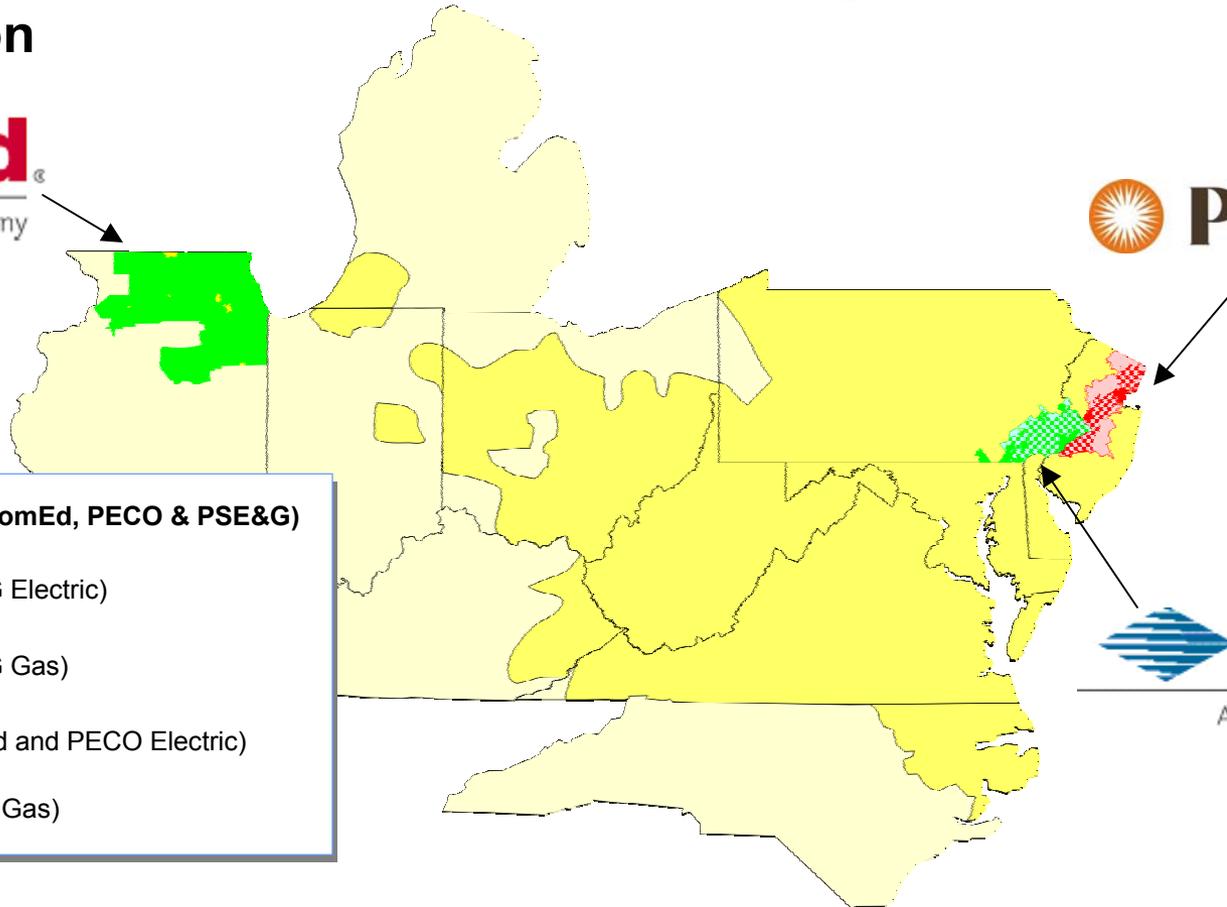
Market Power Mitigation

ComEd, PECO, and PSEG – All in PJM

A combination of three urban utilities, with a low-cost generation portfolio, all in PJM, the Nation's premier Regional Transmission Organization



-  PJM (minus ComEd, PECO & PSEG)
-  PSEG (PSE&G Electric)
-  PSEG (PSE&G Gas)
-  Exelon (ComEd and PECO Electric)
-  Exelon (PECO Gas)



Market Power Mitigation Plans: Overview

- **FERC's merger policy establishes prescriptive market power guidelines**
- **Mitigation is required to eliminate market concentration in PJM East that would result from the merger**
- **Mitigation will be accomplished through divestiture or transfer of control of 5,500 MW of capacity in eastern PJM markets**
- **Comprehensive market power mitigation plan will fully address FERC's requirements for competitive markets**

Market Power Mitigation Plans: Divestiture of Capacity

- **Sale of fossil fuel facilities (2,900 MW):**
 - 1,000 MW of peaking
 - 1,900 MW of mid-merit (intermediate)
 - All in PJM East
- **“Virtual” divestiture of nuclear capacity (2,600 MW)**
 - Long-term (15 yr) baseload energy contracts, or
 - Annual auction, in 25 MW blocks, of 3-year firm baseload energy entitlements
 - 2,400 MW in PJM East
- **Divestitures will enhance the competitiveness of the wholesale marketplace**
 - Increases the number of potential suppliers with access to low-cost nuclear baseload capacity in the PJM marketplace
 - Decreases overall concentration