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improvements at jointly owned nuclear generating facilities; (11) the companies may not realize the values expected to

Additional Information

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The respective directors and executive officers of Exelon and PSEG and other persons may be deemed to be participan

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The following document is a transcript of the web cast presented by Exelon and PSEG management on Monday, Decer

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December 20, 2004
12:00 p.m. CT

Operator: Welcome to the Exelon PSE&G conference call. Today s call is being recorded. At this time, all participants

Now, I d like to turn the conference over to Mr. Michael Metzner, Vice President Investor Relations at Exelon. Please

[Slide 1]

Michael Metzner: Good afternoon, ladies and gentlemen; my name is Michael Metzner. I am the Vice President of Inv

This is truly exciting. You are here at the creation of the nation s premier utility company. Hopefully, you have seen o

For your convenience, you can view the slide presentation on either company s Web site at www.exeloncorp.com or w

Before we go any further, I want to read to you the safe harbor language regarding forward-looking statements found o

[Slide 2]

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform A

[Slide 3]

There will be additional information in our filings with the SEC filed today. Please look for our filings. And now, I d l

[Slide 4]

[Slide 5]

John Rowe: Thank you, Michael. Thank you everyone for joining us today. I m delighted that we have your attention.

We plan to lay out for you the basis and expectations that we have for this exciting combination. I will begin with the s

We will take all of your questions at the end. To begin with, Michael called this the creation of the premier utility comp

[Slide 6]

I believe that the new company we are creating today, Exelon Electric and Gas, genuinely has the potential to make tha

Exelon s strong financial performance, its strong balance sheet, and its top performing nuclear generation business, wi

We will have an equally impressive regulated energy delivery business, one that will provide continuously improving s

Over the last several years customers of PECO, PSE&G, and ComEd have saved billions of dollars as a result of indust

We hope to realize immediate benefits, and again, I mean benefits for both shareholders and consumers, in nuclear ope

This merger meets the criteria we have long told you that we at Exelon would follow in any deal. While the CFOs will

consistent and growing shareholder returns. In other words, we re building a more robust platform as well as a larger c

[Slide 7]

This merger is in its technical form an acquisition of PSEG by Exelon. PSEG shareholders will receive 1.225 shares of

The corporate headquarters will be in Chicago. Our generation headquarters will be in Newark. Each utility company w

We believe that there are many exciting aspects to this agreement, but the one that you will see bringing the most imme

This merger is, of course, conditioned upon other things. Upon the approvals of the shareholders, and upon various fed

[Slide 8]

Based upon the success of the Unicom/PECO merger, which took 13 months, we anticipate that we can obtain these re

our ability to work with regulators in New Jersey, Pennsylvania, Illinois, and at the federal level. And to attempt to solv

This merger gives us a stronger company. One that, as I said, has the ability to achieve more robust and consistent earn

We believe these efficiencies will help us keep our long-run costs down, as medical expenses, fuel costs, material costs

This will continue for Exelon Electric & Gas. We are both proud of our record of delivering value for shareholders. We

[Slide 10]

[Slide 11]

Jim Ferland: Thank you very much, John and good afternoon everyone. For many of the same reasons cited by John, th

This combination addresses each of our long-standing strategic objectives. It diversifies our risk across different marke multi-state regulation, while it offers an immediate boost to our earnings power, and cash flow, state and stabilizes our

I think many of you are aware, we have from time to time looked at combinations with other companies. Now I must sa

And a final general comment, a special attraction of this transaction to me, personally, is that we ll be able to have Joh

Let me get to a couple of numbers. This new company will be of first order, by nearly any measure you want to use. Th

[Slide 12]

The footprint of the new company will cover most of the northeastern United States, with generation assets from the M

[Slide 13]

The combined companies will have characteristics that neither company can replicate on its own. Each company brings

distribution operations, as well as its experiences in the development of the BGS auction process will also add consider

[Slide 14]

Both companies have sound T&D operations. PSE&G s practices which have produced top quartile reliability and cus

[Slide 15]

[Slide 16]

John Young: Thank you, Jim and good afternoon. The combination of these generating fleets presents a compelling and

The combined generation portfolio is large and diverse, an excellent platform in today s competitive energy markets. I

[Slide 17]

Both companies have seen the need for a better balance of generating assets, and we achieve that balance in this deal. T

than 51,000 megawatts the biggest in the country. That size, when effectively managed, brings significant benefits.

Size brings scale, which offers significant cost and operating synergies. Size brings depth, which means we will have th

We will have the ability through size and the management model to implement proven best practices, and best in fleet r

[Slide 18]

This supply stack shows PJM s dispatch progression. As you can see, neither company alone had the perfect mix of as

We ve successfully integrated and operated power plants on a national basis. Our plants in Texas are reliable moneym

[Slide 19]

Our track record is one of improving performance in fossil and hydro operations and demonstrating operating flexibilit

[Slide 20]

These two companies have the power marketing skills to realize the full value of these assets in the markets. Both com

We are now seeing improving market fundamentals: tightening reserve margins which should result in higher capacity

Now, I d like to turn over the program to Chris Crane, Exelon s Chief Nuclear Officer to give you more details on the

[Slide 21]

[Slide 22]

Chris Crane: Thanks, John. As has been stated, a key benefit of the merger is the opportunity to bring sustainable perfo

[Slide 23]

Exelon Nuclear brings a proven track record of recovery from performance shortfall and ensuring that improvement in

recovery and subsequent operations in Exelon demonstrate that we have the tools to ensure solid operations, strong saf

We expect to begin the improvement process in mid January when we implement a nuclear operations service contract

We expect to send at least 24 people initially to the site. And we ll provide support as needed in services from our cor

Although we won t begin to see significant fleet synergies until the close we do expect performance improvements in

The tools include the processes to assess and improve plant material condition, our templates for planning and executi

Now, it s my turn to introduce Tom O Flynn, PSEG Chief Financial Officer, who will turn our words into the numbe

[Slide 24]

[Slide 25]

Tom O Flynn: Thanks, Chris. Like the others you ve already heard from, I believe our combination makes excellent f

With the application of the Exelon Way and our own best practices, significant savings can be achieved. As John previ

[Slide 26]

This slide gives you a good sense of where our combined savings will come from by business, and by category. Over 7

[Slide 27]

The next graphic depicts sources of financial strength for the combined organization. There s a good balance between

[Slide 28]

There s no doubt this transaction brings significant value to PSEG shareholders. Obviously, our shareholders will imm

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demonstrates other important components of value. Bob will show a similar slide from the Exelon perspective in a mor

[Slide 29]

As John mentioned earlier, we expect this merger to be accretive to both companies. To help you in your modeling, thi

As a third important assumption we expect the purchase accounting adjustments to also be income neutral and to result

[Slide 30]

One more attractive outcome from this combination will be a very strong balance sheet. Going forward, we expect stro

[Slide 31]

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Bob Shapard: Thanks, Tom, and good afternoon everyone. You can see from my first slide entitled Proven Record Of

[Slide 32]

Turning to the next page, despite the strong long-term performance by PSEG, nuclear issues have put some pressure on

[Slide 33]

Now turning to the value capture discussion, this slide shows a value to Exelon shareholders comparable to the slide To

The premium value on this page represents that upper teens level. The slide shows Exelon s shareholders portion of t

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percent. Again, remember that 70 percent of the synergies are on the non-regulated side, 30 percent on the regulated sid

You can do your own math, but by any reasonable measure, the synergies in this transaction are substantial. We then ad

The unquantified bar is the value of creating a company with the stronger growth platform and lower risk because of th

[Slide 34]

Turning to the dividend, the merger agreement stipulates that Exelon s dividend at closing keep PSEG s shareholders
That dividend level means that Exelon, who just increased the dividend by over 30 percent this quarter, would need to

This increased dividend level is still comfortably within Exelon s targeted payout range of 50 to 60 percent.
[Slide 35]
Now, moving to the next page. The new Exelon Electric & Gas will be very well positioned to capture value from the i
The Illinois transition to market pricing coming off a 10 year price freeze should provide sale upside in generation valu
[Slide 36]
To wrap up my section, we believe that this combination is financially compelling. We believe these synergies are sign
[Slide 37]
[Slide 38]

John Rowe: Thank you, Bob. Thank you everybody. We re about to begin with your questions. But let me say, again,
We are both keenly aware that each of these companies brings important strengths and important assets to this merger.
What I think we have to offer today is first, a merger that makes sense on the facts. And second, the personal commitm
Michael Metzner: This concludes our prepared remarks. We d now be happy to take your questions.
[Slide 39]
Operator: Thank you, sir. If you did have a question at this time, it is star one on your touch-tone telephone. Once agai
Our first question, Paul Ridzon at Keybanc Capital Markets.
Paul Ridzon: Can you hear me?
John Rowe: Yes, sir.

Paul Ridzon: John, PEG has a lot of assets that I would not consider to be   to necessarily fit with the Exelon strategy.
John Rowe: I certainly can, PSEG already has a strategy of winding down those investments in an orderly way. We int
Paul Ridzon: And with regards to the financing, do you anticipate layering on some leverage? And kind of what s the
John Rowe: Let me defer that to Bob.
Bob Shapard: Now this is going to be essentially a stock-for-stock transaction. As you saw from the credit metrics that
Paul Ridzon: Would you consider additional leverage?
Bob Shapard: Well, you know, we talked about the fact that one of the values of a strong balance sheet is when we see

Michael Metzner: Ladies and gentlemen, due to the large number of people on the call, we d ask that you please try to
Paul Ridzon: Well thank you very much and congratulations, gentlemen.
John Rowe: Thanks, Paul.
Bob Shapard: Thanks, Paul.
Operator: Our next question, Greg Gordon, Smith Barney.
Greg Gordon: Thanks. Can you address how you intend to deal with the FERC with regards to the market power impli
John Rowe: We haven t worked out all of the details, but as a general principle we believe that we will be required to
Operator: We ll take our next question, Robert Rubin at Deutsche Bank.
Robert Rubin: Yes, this is a question for the financial guys. From a legal structure standpoint, all of these businesses, t

PS Enterprise Group has PEG Power, PEG Energy Holdings and the operating utility. How are we going to structure th
John Rowe: Tom O Flynn is going to pick that one up, while the lawyers look envious that you asked something they
Robert Rubin: We like lawyers. Hi, Tom.
Tom O Flynn: I hope   Robert, I hope it s a simple answer. I tried to touch on it but it was fairly briefly. PSEG Powe
Operator: We ll take our next question from David Schanzer, Janney Montgomery Scott.
David Schanzer: Yes, hi. Good afternoon, congratulations. My   several of my questions have been answered, but the
Jim Ferland: Hey, Jim Ferland. I ll take a shot at dealing with that one. Certainly, our intent is to keep those properties

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is part of PSE&G. There s no intention to at this time to sell those businesses. We like them. They re attractive busi

Operator: We ll take our next question from Jack Moore at Vanguard.

Jack Moore: Great. Congratulations again. Most of my questions were answered. But I was wondering if you could co

John Rowe: OK. Jim and I are cash oriented. So we ll let Bob answer that.

Bob Shapard: Tis the season for goodwill towards men. Seven billion dollars, we think roughly $7 billion of goodwil

We have positioned ComEd s balance sheet such that their capital structure and their equity ratio is over 50 percent, a

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Operator: Our next question comes from Terran Miller at UBS.

Terran Miller: Yes, I was wondering if you could back up to the slide, you moved fairly quickly, about the cost to achi

John Rowe: Bob Shapard will start. And then, Chris Crane will pick up the second half of your question unless, Tom, y

Bob Shapard: Terran, if you re referring to the pages that I showed, the $400 and $500 million are pre-tax synergies th

The interesting thing is, and I just touched on it very briefly, there is some purchase accounting adjustments of some li

Chris Crane: Yes, we ve looked very close at the capital resources required. And the LRP numbers that are in place rig

Terran Miller: Thank you.

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Operator: Our next question is from Zach Schreiber at Duquesne Capital Management.

Zach Schreiber: Yes, hi. Just wondering if you could give us first of all, congratulations to Jim Ferland and the guys

John Rowe: I m going to Jim s going to take it.

Jim Ferland: Jim Ferland. I m just going to take a shot at that. Thank you. As you know, you must still be holding PE

We don t have a number here today on the fossil side. But the numbers on the fossil side, well they re going to be ve

John Rowe: The only thing I can add to that is one of the things we do like is getting more fossil capacity in to this mi

Operator: We ll take our next question from Dan Eggers at Credit Suisse First Boston.

Dan Eggers: Good afternoon, congratulations. A question, I guess, just what conversations have you had at the state reg

John Rowe: Well the conversations we ve had to date is Jim and I have been on the phone all morning reporting to the

We think we can meet that test. And, you know, we at Exelon have a model for how we re working on retail competiti

Michael Metzner: Ladies and gentlemen, we have time for one more question at this point.

Operator: Our final question for today will come from Nathan Judge at Atlantic Equities.

Nathan Judge: Good afternoon. Could you comment, I just wanted to follow up on the sensitivity to commodity prices

John Rowe: John Young.

John Young: We have that for Exelon in PSE&G s investor relations package of October, they had the same sensitiv

Michael Metzner: Thank you very much for joining us today ladies and gentlemen. And of course, we will be followin

Operator: Ladies and gentlemen, this will conclude today s teleconference. We do thank you for your participation, an

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