

EXELON CORP
Form 424B5
June 07, 2005

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**Filed Pursuant to Rule 424(b)(5)
Registration Statement No. 333-108546**

**PROSPECTUS SUPPLEMENT
(To Prospectus Dated February 10, 2004)**

\$1,700,000,000

Exelon Corporation

**\$400,000,000 4.45% Senior Notes due 2010
\$800,000,000 4.90% Senior Notes due 2015
\$500,000,000 5.625% Senior Notes due 2035**

The notes will bear interest as set forth above. Interest on each series of notes is payable on June 15 and December 15 of each year, beginning on December 15, 2005. Each series of notes will mature on June 15 of its respective year of maturity. We may redeem some or all of the notes of any series at any time prior to maturity at a redemption price described under the caption **Description of the Senior Notes** **Redemption at Our Option**.

The notes will be our senior obligations and will rank equally with all of our other unsecured senior indebtedness.

Investing in the notes involves risks. See **Risk Factors beginning on page S-5 of this prospectus supplement and on page 4 of the accompanying prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per 4.45% Senior Note due 2010	Per 4.90% Senior Note due 2015	Per 5.625% Senior Note due 2035	Total
Public Offering Price	99.906%	99.858%	99.740%	\$ 1,697,188,000
Underwriting Discount	0.600%	0.650%	0.875%	\$ 11,975,000
Proceeds to Exelon (before expenses)	99.306%	99.208%	98.865%	\$ 1,685,213,000

Interest on the notes will accrue from June 9, 2005 to date of delivery.

The underwriters expect to deliver the notes in book-entry form only through The Depository Trust Company on or about June 9, 2005.

Joint Book-Running Managers

Citigroup

Merrill Lynch & Co.

(Global Coordinator)

Banc of America Securities LLC

(2035 Notes)

Credit Suisse First Boston

(2015 Notes)

Barclays Capital

(2015 Notes)

Deutsche Bank Securities

(2010 Notes)

Senior Co-Managers

UBS Investment Bank

Wachovia Securities

Co-Managers

ABN AMRO Incorporated

BNY Capital Markets, Inc.

Dresdner Kleinwort Wasserstein

Loop Capital Markets, LLC

Ramirez & Co., Inc.

The Williams Capital Group, L.P.

June 6, 2005

BNP PARIBAS

Capital Management Group Securities LLC

KeyBanc Capital Markets

Piper Jaffray

Scotia Capital

Wells Fargo Securities

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since that date.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus contain information about our company and about the notes. They also refer to information contained in other documents that we file with the Securities and Exchange Commission (SEC). Any statement contained in this prospectus supplement, the accompanying prospectus or in a document (all or a portion of which is incorporated by reference herein) shall be modified or superseded for purposes of this prospectus supplement and the accompanying prospectus to the extent that a statement contained in this prospectus supplement, the accompanying prospectus, any supplement or any document incorporated by reference modifies or supersedes that statement. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this prospectus supplement and the accompanying prospectus.

When we refer to Exelon, the Company, we, our or us in this prospectus supplement, unless the context otherwise requires, we mean Exelon Corporation together with our subsidiaries.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to incorporate by reference information that we file with the SEC, which means that we can disclose important information to you by referring you to other documents we file with the SEC. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), prior to the termination of any offering of the notes made by this prospectus supplement and the accompanying prospectus (excluding any information furnished pursuant to Items 2.02 or 7.01 on any current report on Form 8-K):

Exelon's Annual Report on Form 10-K for the year ended December 31, 2004;

Exelon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005; and

Exelon's Current Reports on Form 8-K filed on January 28, 2005, February 1, 2005, February 4, 2005, February 22, 2005, February 25, 2005, March 7, 2005, March 8, 2005, March 30, 2005, April 5, 2005, April 6, 2005, April 27, 2005, May 10, 2005 and May 13, 2005.

Upon written or oral request, we will provide without charge to each person, including any beneficial owner, to whom this prospectus supplement and the accompanying prospectus are delivered, a copy of any or all of the documents which are incorporated in this prospectus supplement and the accompanying prospectus by reference (other than exhibits to those documents unless those exhibits are specifically incorporated by reference into the documents that this prospectus supplement and the accompanying prospectus incorporate). Written or oral requests for copies should be directed to the address set forth on page 2 of the accompanying prospectus under **Where You Can Find More Information**.

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FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, certain of the matters discussed or incorporated by reference in this prospectus supplement or the accompanying prospectus are forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by us include those factors discussed in:

Our Annual Report on Form 10-K for the year ended December 31, 2004;

Our Current Reports on Form 8-K filed on February 4, 2005 and May 13, 2005, including those discussed in Exhibit 99.2

Management's Discussion and Analysis of Financial Condition and Results of Operations Exelon Business Outlook and the Challenges in Managing the Business and Exhibit 99.3 Financial Statements and Supplementary Data Exelon Corporation ; and

Other factors discussed in our filings with the SEC incorporated herein by reference.

You are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus supplement. We expressly disclaim any obligation or undertaking to publicly release any revision to our forward-looking statements to reflect events or circumstances after the date of this prospectus supplement.

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SUMMARY

The following information is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus or incorporated herein by reference. An investment in the notes involves certain risks relating to our business, prospects, financial condition and results of operation and other risks relating to the terms of the notes. These risks are described under **Risk Factors** on page S-5 below.

Exelon Corporation

General

We are a registered public utility holding company, operating through subsidiaries in two business segments:

Energy Delivery, whose businesses include the purchase and regulated retail sale of electricity and distribution and transmission services by Commonwealth Edison Company (ComEd) in northern Illinois and PECO Energy Company (PECO) in southeastern Pennsylvania and the purchase and retail sale of natural gas and distribution services by PECO in the Pennsylvania counties surrounding the City of Philadelphia.

Generation, consisting principally of the electric generating facilities and wholesale energy marketing operations of Exelon Generation Company, LLC (Generation), the competitive retail sales business of Exelon Energy Company (Exelon Energy) and certain other generation projects.

We sold or wound down substantially all components of Exelon Enterprises Company, LLC (Enterprises) in 2004 and 2003. As a result, as of January 1, 2005, Enterprises is no longer reported as a segment. See Exelon's Current Report on Form 8-K filed on May 13, 2005.

Our principal executive offices are located at 10 South Dearborn Street, 37th Floor, P.O. Box 805379, Chicago, Illinois 60680-5379, and our telephone number is (312) 394-4321.

Proposed Merger with Public Service Enterprise Group Incorporated

On December 20, 2004, we entered into an Agreement and Plan of Merger (Merger Agreement) with Public Service Enterprise Group Incorporated (PSEG), the holding company for electric and gas utility businesses primarily located and serving customers in New Jersey, whereby PSEG will be merged with and into Exelon (Merger). Under the Merger Agreement, each share of PSEG common stock will be converted into 1.225 shares of our common stock, and we will be the surviving entity in the Merger. If the Merger is completed, we will continue as the surviving corporation and will change our name to Exelon Electric & Gas Corporation.

The Merger Agreement has been unanimously approved by both companies' boards of directors, but consummation of the Merger is contingent upon, among other things, the approval by shareholders of both companies, antitrust clearance and a number of regulatory approvals or reviews by federal and state energy authorities. The parties have made certain of the regulatory filings to obtain necessary regulatory approvals.

When we and PSEG announced the Merger Agreement on December 20, 2004, we indicated that we expected to close the transaction in 12 to 15 months. While we believe that this objective is reasonably achievable assuming we and PSEG are able to reach settlements with interested parties and those settlements are approved by the applicable regulatory authorities, (see **The Proposed Merger - Regulatory Matters Relating to the Proposed Merger** on page S-29 below), if settlements are not reached, we expect that, assuming all other conditions to completion of the Merger are satisfied, the closing of the Merger will occur in the second quarter of 2006. If the Federal Energy Regulatory Commission (FERC) were to hold a hearing on the application relating to the Merger, the anticipated closing would be

extended into mid-2006 or perhaps later.

For additional information related to the Merger, see The Proposed Merger on page S-10 below.

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The Senior Notes

<i>Issuer</i>	Exelon Corporation
<i>Securities Offered</i>	An aggregate of \$1,700,000,000 in Senior Notes, consisting of 4.45% Senior Notes due 2010, 4.90% Senior Notes due 2015 and 5.625% Senior Notes due 2035, which notes are being issued under the indenture, dated as of May 1, 2001 (Indenture), between Exelon and J.P. Morgan Trust Company, National Association (formerly known as Chase Manhattan Trust Company, National Association), as trustee.
<i>Interest Payment Dates</i>	June 15 and December 15 of each year, beginning December 15, 2005.
<i>Maturity</i>	The 4.45% Senior Notes due 2010 will mature on June 15, 2010. The 4.90% Senior Notes due 2015 will mature on June 15, 2015. The 5.625% Senior Notes due 2035 will mature on June 15, 2035.
<i>Optional Redemption</i>	We may redeem some or all of the notes at any time prior to maturity at a redemption price described under the caption Description of the Senior Notes Redemption at Our Option.
<i>Ranking</i>	The notes will be our senior unsecured obligations and will rank equally with all of our senior unsecured indebtedness. As we are a holding company with no material assets other than our ownership interests in our subsidiaries, we are dependent upon our subsidiaries' earnings and cash flows to meet our obligations, including obligations with respect to the notes. As a result of our holding company structure, the notes will be effectively subordinated to all existing and future debt, trade creditors, and other liabilities of our subsidiaries. As of March 31, 2005, our subsidiaries had outstanding approximately \$10.5 billion of long-term debt, including approximately \$4 billion of long-term debt to transition trusts. See Capitalization.
<i>Covenants</i>	We have agreed to certain limitations upon our ability to undertake mergers, consolidations, and sales of assets and upon our ability to impose liens on the stock of certain of our subsidiaries for so long as any of the notes are outstanding. See Description of Senior Notes Covenants.
<i>Events of Default</i>	We have agreed to an additional event of default on the notes with respect to certain defaults on our other indebtedness. See Description of Senior Notes Events of Default.
<i>Ratings</i>	Moody's Investors Service, Inc., Standard and Poor's Ratings Services, and Fitch Ratings currently rate our long-term debt Baa2, BBB+ and BBB+, respectively. A rating reflects only the views of a rating agency and is not a recommendation to buy, sell or hold the notes. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if it decides the circumstances warrant that change. Each rating should be evaluated independently of any other rating.

Form

The notes will be book-entry only and registered in the name of a nominee of The Depository Trust Company (DTC).

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RISK FACTORS

Your investment in the notes will involve certain risks. Before investing in the notes, you should carefully consider the following discussion as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the information under **Risk Factors** beginning on page 4 of the accompanying prospectus and under **Business Outlook and the Challenges in Managing the Business** beginning on page 101 of our Annual Report on Form 10-K. See also **The Proposed Merger Risk Factors** on page S-25 below.

Our debt is effectively subordinated to the debt of our subsidiaries.

Because we are a holding company with no material assets other than our ownership interests in our subsidiaries and all of our operations are conducted by our subsidiaries, our debt is effectively subordinated to all existing and future debt, trade creditors, and other liabilities of our subsidiaries. Our rights, and hence the rights of our creditors, to participate in any distribution of assets of any subsidiary upon its liquidation or reorganization or otherwise would be subject to the prior claims of that subsidiary's creditors, except to the extent that our claims as a creditor of such subsidiary may be recognized. As of March 31, 2005, our subsidiaries had outstanding approximately \$10.5 billion of long-term debt, including approximately \$4 billion of long-term debt to transition trusts. The Indenture does not restrict our or our subsidiaries' ability to incur additional indebtedness, including secured indebtedness.

There is no limit on our ability to create additional notes.

Under the terms of the Indenture, we may from time to time without notice to, or the consent of, the holders of the notes, create and issue additional notes of a new or existing series, which notes, if of an existing series, will be equal in rank to the notes of that series in all respects (or in all respects except for the payment of interest accruing prior to the issue date of the new notes or except for the first payment of interest following the issue date of the new notes) so that the new notes may be consolidated and form a single series with such notes and have the same terms as to status, redemption or otherwise as such notes.

There is no public market for the notes.

We can give no assurances concerning the liquidity of any market that may develop for any series of the notes offered hereby, the ability of any investor to sell any of the notes, or the price at which investors would be able to sell them. If a market for the notes does not develop, investors may be unable to resell the notes for an extended period of time, if at all. If a market for the notes does develop, it may not continue or it may not be sufficiently liquid to allow holders to resell any of the notes. Consequently, investors may not be able to liquidate their investment readily, and lenders may not readily accept the notes as collateral for loans.

The price of the notes may be affected by the general perception of the energy and utility sector of the economy.

Events, such as the August 14, 2003 blackout in the Northeastern United States, the California energy crisis, those involving Enron Corporation and political unrest in oil-producing countries, in addition to the fact that the energy industry is changing and subject to greater risk, could adversely affect investors' perception of the energy and utility sector and could adversely affect the prices of securities of companies in that sector. We cannot predict what news or events will affect the public or how any news or events may affect the market price of the notes, but fluctuations due to such news and events could be severe and any negative effects could be long lasting.

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We have revised our December 31, 2004 and previous financial statements for the presentation of certain businesses as discontinued operations within our Consolidated Statements of Income and a change in our reportable segments. As explained in the documents incorporated herein by reference, on January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe Energies, Inc. In addition, during 2004 and 2003, we sold or unwound substantially all components of Enterprises and AllEnergy Gas & Electric Marketing LLC, a business within Exelon Energy. As a result, the results of operations and any gain or loss on the sale of qualifying components of Enterprises have been presented as discontinued operations within our Consolidated Statements of Income.

The selected financial data presented below, other than the data for the three months ended March 31, 2005 and 2004 and as of March 31, 2005, has been derived from our audited consolidated financial statements. The data for the three months ended March 31, 2005 and 2004 has been derived from unaudited financial statements which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods. The selected financial data is qualified in its entirety by reference to and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2004, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 and our Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operation filed as Exhibit 99.2 to our Current Report on Form 8-K filed on May 13, 2005.

Results for 2000 reflect the effects of the merger of Exelon, Unicom Corporation (Unicom) and PECO on October 20, 2000. That merger was accounted for using the purchase method of accounting with PECO as the acquiring company. Accordingly, financial results for 2000 consist of PECO's results for 2000 and Unicom's results after October 20, 2000.

In millions	For the Years Ended December 31,					Three Months Ended	
	2004	2003	2002	2001	2000	March 31, 2005	March 31, 2004
						(unaudited)	
Statement of Income Data:							
Operating revenues	\$ 14,133	\$ 15,148	\$ 14,060	\$ 13,978	\$ 7,060	\$ 3,561	\$ 3,635
Operating income	3,499	2,409	3,280	3,406	1,562	931	771
Income from continuing operations	1,870	892	1,690	1,448	606	507	397
Income (loss) from discontinued operations	(29)	(99)	(20)	(32)	(44)	14	(17)
Income before cumulative effect of changes in accounting principles	1,841	793	1,670	1,416	562	521	380
Cumulative effect of changes in accounting principles (net of income taxes)	23	112	(230)	12	24	0	32
Net income	\$ 1,864	\$ 905	\$ 1,440	\$ 1,428	\$ 586	\$ 521	\$ 412

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In millions	2004	2003	December 31, 2002	2001	2000	As of March 31, 2005 (unaudited)
Balance Sheet data:						
Current assets	\$ 3,926	\$ 4,561	\$ 4,125	\$ 3,735	\$ 4,151	\$ 4,342
Property, plant and equipment, net	21,482	20,630	17,957	14,665	15,914	21,413
Noncurrent regulatory assets	4,790	5,226	5,546	5,774	6,045	4,702
Goodwill	4,705	4,719	4,992	5,335	5,186	4,696
Other deferred debits and other assets	7,867	6,800	5,249	5,460	5,378	7,255
Total assets	\$ 42,770	\$ 41,936	\$ 37,869	\$ 34,969	\$ 36,674	\$ 42,408
Current liabilities	\$ 4,882	\$ 5,720	\$ 5,874	\$ 4,370	\$ 4,993	\$ 6,840
Long-term debt, including long-term debt to financing trusts	12,148	13,489	13,127	12,879	12,958	10,997
Regulatory liabilities	2,204	1,891	486	225	1,888	2,167
Other deferred credits and other liabilities	13,984	12,246	9,968	8,749	8,959	12,603
Minority interest	42		77	31	31	1
Preferred securities of subsidiaries ⁽¹⁾	87	87	595	613	630	87
Shareholders equity	9,423	8,503	7,742	8,102	7,215	9,713
Total liabilities and shareholders equity	\$ 42,770	\$ 41,936	\$ 37,869	\$ 34,969	\$ 36,674	\$ 42,408

(1) Upon adoption of FIN 46 in 2003, the mandatorily redeemable preferred securities of ComEd and PECO were reclassified as long-term debt to financing trusts as of December 31, 2003.

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We intend to use the proceeds from the sale of the notes, after deducting underwriting compensation and estimated fees and expenses, to repay the approximately \$1,500,000,000 in remaining principal due on term loan borrowings made pursuant to the terms of the \$2,000,000,000 Term Loan Agreement, dated as of March 7, 2005, among Exelon, Citicorp North America, Inc., as Administrative Agent, Citicorp Global Markets Inc., as Lead Arranger and Sole Book Runner, and the lenders thereunder, which lenders include affiliates of Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC, Barclays Capital Inc., Credit Suisse First Boston LLC, Deutsche Bank Securities Inc. and certain of the other underwriters. See Underwriters for more information. The remainder of the proceeds from the sale of the notes, if any, will be applied to pay a portion of the \$500,000,000 of outstanding principal due on term loan borrowings made pursuant to the terms of the \$500,000,000 Term Loan Agreement, dated as of April 1, 2005, among Exelon, Dresdner Bank AG, New York and Grand Cayman Branches, as Administrative Agent, and the Lenders thereunder, with the balance of the amounts due under the \$500,000,000 term loan agreement expected to be repaid with cash from operations.

Amounts outstanding under the term loan agreements bear interest at a variable rate determined, at our option, by either the Base Rate or the Eurodollar Rate (as defined in the applicable term loan agreement) plus, in the case of the \$2,000,000,000 term loan agreement, an applicable margin. The applicable weighted average interest rate as of May 31, 2005 was 3.70% under the \$2,000,000,000 term loan agreement, of which \$1,500,000,000 was outstanding, and 3.09% under the \$500,000,000 term loan agreement. The term loan borrowings mature on December 1, 2005 and were used to fund a discretionary contribution of \$2,000,000,000 to our pension plans.

CAPITALIZATION

The following table shows our actual short-term debt and capitalization on a consolidated basis and on a consolidated basis as adjusted to reflect this offering and the use of the proceeds from this offering as set forth under Use of Proceeds above. For our pro forma capitalization reflecting the effect of the proposed Merger, see The Proposed Merger Exelon and PSEG Pro Forma Capitalization on page S-24 below.

	As of March 31, 2005	
	(\$ in millions)	
	Actual	As Adjusted⁽¹⁾
Short-term debt ⁽²⁾	\$ 3,337	\$ 1,652
Capitalization:		
Long-term debt: ⁽³⁾		
Long-term debt to ComEd Transitional Funding Trust and PECO Energy Transition Trust ⁽⁴⁾	\$ 3,970	\$ 3,970
Long-term debt to other financing trusts ⁽⁵⁾	545	545
Other long-term debt	6,482	8,182
Preferred securities of subsidiaries	87	87
Shareholders' equity	9,713	9,713
Total capitalization	\$ 20,797	\$ 22,497

- (1) Reflects payment of \$1,685 million of short-term indebtedness from the proceeds of this offering.
- (2) Includes current maturities of long-term debt of \$1,011 million, of which \$622 million is long-term debt due to transition trusts.
- (3) Includes unamortized debt discounts and premiums. Excludes current maturities.
- (4) Represents amounts owed to financing trusts of ComEd and PECO which have issued transition notes and bonds to securitize portions of ComEd's and PECO's respective stranded cost recovery.
- (5) Represents amounts owed to financing trusts of ComEd and PECO which have issued company-obligated mandatorily redeemable preferred securities and which hold solely ComEd and PECO subordinated debt securities.

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The following table provides our consolidated ratio of earnings to fixed charges:

	Year Ended December 31,					Three Months
	2000	2001	2002	2003	2004	Ended March
						31,
						2005
Ratio of earnings to fixed charges	2.5	2.9	3.4	2.3	3.8	4.6

The ratio of earnings to fixed charges has been prepared based on our historical financial statements as recently recast (see our Current Report on Form 8-K filed on May 13, 2005) and represents, on a pre-tax basis, the number of times earnings cover fixed charges. Earnings consist of pre-tax net income from continuing operations after adjustment for income from equity investees and capitalized interest or allowance for funds used during construction, to which has been added fixed charges. Fixed charges consist of interest costs and amortization of debt discount and premium on all indebtedness and estimated interest portion of all rental expense.

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THE PROPOSED MERGER

General

On December 20, 2004, we entered into the Merger Agreement with PSEG. Under the Merger Agreement, PSEG common stock will be converted into our common stock, and we will be the surviving entity in the Merger. If the Merger is completed, we will change our name to Exelon Electric & Gas Corporation. We believe the proposed Merger would create a strong combined company that will deliver important benefits to our shareholders, to our customers and to the communities we serve.

Subject to the terms and conditions of the Merger Agreement, if the Merger is completed, PSEG shareholders will receive 1.225 shares of Exelon common stock for each share of PSEG common stock they hold, and each outstanding option to purchase shares of PSEG common stock will be assumed by us and substituted with an option to purchase shares of Exelon common stock, exercisable on generally the same terms and conditions that applied before the Merger but adjusted for the exchange ratio. The exchange ratio is fixed in the Merger Agreement, and neither we nor PSEG has the right to terminate the Merger Agreement based solely on changes in either party's stock price. In addition, if the Merger is completed, we will assume all PSEG equity-based awards and substitute them with equity-based awards with respect to shares of Exelon common stock on generally the same terms and conditions that applied before completion of the Merger but adjusted for the exchange ratio.

Completion of the Merger depends upon the satisfaction of a number of conditions, including the following:

approval of the Merger Agreement by the PSEG shareholders and approval by our shareholders of the issuance of shares of Exelon common stock as contemplated by the Merger Agreement;

receipt of all required government and regulatory consents, registrations, approvals and permits and authorizations, except for those the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on PSEG or on us (assuming the Merger had taken place);

receipt of all required consents or approvals from third parties, except for those the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on PSEG or on us (assuming the Merger had taken place);

receipt of opinions of counsel to Exelon and PSEG to the effect that the Merger constitutes a reorganization within the meaning of Section 368(a) of the Internal Revenue Code; and

the satisfaction of other customary closing conditions in a transaction of the size and scope of the proposed Merger.

Other than the conditions to obtain the regulatory approvals required by law and the shareholder approvals, we and PSEG each may waive any conditions relating to its obligations to complete the Merger. However, the parties do not intend to waive the condition relating to the receipt of tax opinions referred to above.

We and PSEG may mutually agree to terminate the Merger Agreement and abandon the Merger at any time prior to completion of the Merger, whether before or after the PSEG shareholders have approved the Merger Agreement and our shareholders have approved the issuance of shares of Exelon common stock as contemplated by the Merger Agreement. In addition, either party could decide, without the consent of the other, to terminate the Merger Agreement in a number of situations, including:

if the Merger is not completed by June 20, 2006 (which date may be extended by six months by either party if all conditions to closing have been satisfied other than the receipt of approval by the FERC under Section 203 of the Federal Power Act, by the SEC under the Public Utility Holding Company Act of 1935 or by any of the New Jersey, New York or Pennsylvania public utility commissions if we and PSEG are reasonably satisfied such state commission is waiting for such FERC or SEC approval to be obtained prior to ruling and such ruling is required for completion of the Merger);

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- if the required approval of our or PSEG shareholders is not obtained at the respective shareholder meetings;
- if a nonappealable order has been entered prohibiting the Merger or, in connection with the required regulatory approvals, an order has been entered that is a burdensome order (as defined in the Merger Agreement) that is a nonappealable final order;
- if the board of directors of the other party withdraws, qualifies or modifies its declaration, approval or recommendation in a manner adverse to the other party; or
- if the other party breaches its representations, warranties or covenants in the Merger Agreement, which breach results in a failure of one of the conditions to completion of the Merger being satisfied and is not curable or cured.

The Merger Agreement may also be terminated by either of us or PSEG prior to completion of the Merger under certain circumstances. Depending upon the nature of the circumstances giving rise to any such termination of the Merger Agreement, in certain instances PSEG would be required to pay to us a termination fee of \$400 million and our out-of-pocket expenses up to a maximum of \$40 million, and in other instances we would be required to pay PSEG a termination fee of \$400 million and up to \$40 million of PSEG's out-of-pocket expenses.

The discussion of the Merger Agreement above is qualified in its entirety by the Merger Agreement itself, which is incorporated herein by reference. See Exelon's Current Report on Form 8-K filed on December 21, 2004 for a complete copy of the Merger Agreement.

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Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements

The following Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements are based on our historical consolidated financial statements, as adjusted for discontinued operations (see Selected Financial Information) and the historical consolidated financial statements of PSEG after giving effect to:

the Merger using the purchase method of accounting with Exelon treated as the acquirer; and

our 2004 disposition of Boston Generating, LLC, a previously indirect wholly-owned subsidiary.

As described in the accompanying notes, if the Merger is completed, our cost to acquire PSEG will be allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed based upon their estimated fair values as of the completion of the Merger. The completion of the Merger is currently expected to occur in either the first or second quarter of 2006 depending on whether the parties are able to reach early settlements in the New Jersey Bureau of Public Utilities (NJBPU) and the Pennsylvania Public Utility Commission (PUC) proceedings described under The Proposed Merger Regulatory Matters Relating to the Proposed Merger. In addition, if FERC were to hold a hearing on the application relating to the Merger, the anticipated closing would be extended into mid-2006 or perhaps later. As a result, we cannot predict the actual timing of the Merger, if completed. The excess of purchase price, including estimated fees and expenses related to the Merger incurred by us, over the preliminary estimated fair values of the net assets acquired and liabilities assumed is classified as goodwill in the accompanying Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet. We may record some additional level of amortizable intangible assets not yet identified or recorded in these pro forma financial statements. The amortization of these assets may adversely impact future earnings of the combined company. The purchase method of accounting applied to the Merger is based on current accounting literature, which may be amended prior to the completion of the Merger and, if amended, could materially impact the allocation of purchase price.

The Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations give effect to the Merger as though it occurred on January 1, 2004. The Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet gives effect to the Merger as though it occurred on March 31, 2005.

The Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements include estimates of potential adjustments for events that are:

directly attributable to the Merger;

factually supportable; and

with respect to the statements of operations, expected to have a continuing impact on the combined company's results.

These preliminary adjustments are based on our and PSEG's managements' current estimates and are subject to change pending additional information that may come to their knowledge and as decisions are made with respect to the corporate restructuring expected to occur following the completion of the Merger. The actual adjustments recorded in purchase accounting will be based on final valuations as determined by management and independent third parties and may differ materially from the preliminary amounts recorded in the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements. If the final valuation indicates that the fair value of the assets of PSEG is higher than managements' current estimates, the percentage of the purchase price allocated to these assets would be greater than that currently allocated to them in the pro forma financial statements. The greater level of amortizable assets would result in additional amortization, which may adversely impact the future earnings of the combined company.

The historical financial information of Exelon and PSEG as of and for the three months ended March 31, 2005 is unaudited. The historical financial information of Exelon and PSEG for the year ended December 31, 2004 is derived from the audited financial statements of Exelon and PSEG, respectively, but does not include all disclosures required by generally accepted accounting principles in the United States (GAAP).

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You should read the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements in conjunction with:

the accompanying Notes to the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements;

the separate unaudited historical financial statements of Exelon and PSEG as of and for the three months ended March 31, 2005, included, as applicable, in our quarterly report on Form 10-Q for the three months ended March 31, 2005 (incorporated herein by reference) and PSEG's quarterly report on Form 10-Q for the three months ended March 31, 2005 (which is not incorporated herein by reference, but is available on the web site maintained by the SEC at <http://www.sec.gov>);

the separate historical financial statements of Exelon and PSEG as of and for the year ended December 31, 2004, included, as applicable, in our annual report on Form 10-K for the year ended December 31, 2004 (incorporated herein by reference) and PSEG's annual report on Form 10-K for the year ended December 31, 2004 (which is not incorporated herein by reference, but is available on the web site maintained by the SEC at <http://www.sec.gov>);

our Current Report on Form 8-K filed on May 13, 2005, in which Item 6, Item 7 and Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2004 were recast; and

the Selected Financial Information on page S-6 above.

The Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements are presented for illustrative purposes only and are not necessarily indicative of what the combined company's financial position or operating results actually would have been had the Merger been completed on the dates indicated. In addition, the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements do not purport to project the future financial position or operating results of the combined company.

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**Exelon and PSEG
Unaudited Pro Forma Condensed Combined Consolidated
Statement of Operations
For the Three Months Ended March 31, 2005
(in millions)**

	Exelon Historical (unaudited)	PSEG Historical⁽²⁾ (unaudited)	Pro Forma Adjustments for Proposed Merger		Exelon Pro Forma
OPERATING REVENUES	\$ 3,561	\$ 3,310	\$ 72	(4)	\$ 6,984
			(4)	(4)	
			42	(9)	
			3	(10)	
		&nb			