

PUBLIC SERVICE ENTERPRISE GROUP INC

Form 425

December 20, 2004

Filed by Public Service Enterprise Group Incorporated  
Pursuant to Rule 425 under the Securities Act of 1933  
and Deemed Filed Pursuant to Rule 14a-12 under  
the Securities Exchange Act of 1934

Subject Company:  
Public Service Enterprise Group Incorporated  
(Commission File No. 001-09120)

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**This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, for example, statements regarding benefits of the proposed merger, integration plans, and expected synergies, anticipated future financial and operating performance and results, including estimates for growth. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements made herein. A discussion of some of these risks and uncertainties is contained or referred to in the Current Reports on Form 8-K filed with the SEC on December 20, 2004 by Exelon and PSEG, respectively. These risks, as well as other risks associated with the merger, will be more 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Neither Exelon nor PSEG undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.**

Safe Harbor Language

Additional Information

**This communication is not a solicitation of a proxy from any security holder of Exelon or PSEG. Exelon intends to file with the Securities and Exchange Commission a registration statement that will include a joint proxy statement/prospectus and other relevant documents to be mailed to security holders in connection with the proposed merger of Exelon and PSEG. 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, PSEG 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](http://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 PSEG, Investor Relations, 80 Park Plaza, P.O. Box 1171, Newark, New Jersey 07101-1171.**

**The respective directors and executive officers of Exelon and PSEG and other persons 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 12, 2004, and information regarding PSEG's directors and executive officers is available in its proxy statement filed with the SEC by PSEG on March 10, 2004. 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 the joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.**

**John W. Rowe**  
**Chairman, President & CEO**  
**Exelon Corporation**

Agenda

**Overview: John W. Rowe, Chairman, President and  
CEO, Exelon**

**Combined Profile: E. James Ferland, Chairman,  
President and CEO, PSEG**

**Power Generation Platform: John F. Young, EVP,  
Exelon, and President, Exelon Generation**

**Nuclear Profile: Christopher M. Crane, SVP, Exelon,  
President and CNO, Exelon Nuclear**

**Financial Impact and Synergies: Thomas M. O Flynn,  
CFO, PSEG, and Robert S. Shapard, CFO, Exelon**

**Summary and Q&A**

A Compelling Combination

**Large, balanced energy portfolio across PJM**

**Enhanced service to the largest customer base in  
the industry**

**Improved nuclear performance**

**Common business and regulatory framework**

**Strengthened financial performance driven by  
significant synergies and enhanced base and  
scope**

Key Transaction Terms

**Offer Price:**

**Ownership:**

**Governance:**

**Timing:**

**Nuclear Agreement:**

**Approvals:**

**1.225 shares of Exelon per PSEG share**

**68% Exelon shareholders**

**32% PSEG shareholders**

**John W. Rowe to be CEO**

**E. James Ferland to be non-executive Chairman**

**18 Board members**

**12 nominated by Exelon**

**6 nominated by PSEG**

**Expected to close within 12-15 months**

**Operating Services Contract starts 1/05**

**Shareholders, Federal, State**



**Dec 2004**

**Q1 2005**

**Q2 2005**

**Q3 2005**

**Q4 2005**

**Q1 2006**

Closing Achievable in 12-15 months

**Announce  
Transaction**

**Exelon & PSEG  
Shareholder  
Meetings**

**Make  
Regulatory  
Filings**

**File Joint Proxy  
Statement**

**Work to Secure Regulatory Approvals**

**(FERC, SEC, NRC, DOJ or FTC, NJBPU, NJDEP\*, PAPUC, ICC\*, NYPS)**

**Develop Transition Implementation Plans**

**Receive Regulatory  
Approvals**

\* Notice filing only

**Implement Nuclear Operating Services Agreement**

Financial Benefits

**Stronger platform to achieve consistent earnings growth**

**Annual synergies of approximately \$400 million in year 1 growing to \$500 million by year 2**

**Earnings accretion for both companies shareholders in year 1**

**Nuclear contract provides earnings benefit for both companies starting in 2005**

**Secure and growing dividend**

**Strong balance sheet**

**E. James Ferland**  
**Chairman, President & CEO**  
**PSEG**

**2003A**

**2003A**

**2003**

**Rank**

**Elec. Customers**

**5,100,000**

**2,000,000**

**7,100,000**

**1**

**Gas Customers**

**460,000**

**1,600,000**

**2,060,000**

**7**

**U.S. Generation Assets**

**(MW)**

**(1)**

**34,467**

**17,117**

**51,584**

**1**

**Nuclear Generation(MW)**

**16,943**

**3,510**

**20,453**

**1**

**\$ s in Billions**

**Total As**

**sets**

**\$41.9**

**\$28.1**

**\$70.0**

**1**

**Market Cap (12/15/04)**

**\$28.7**

**\$10.6**

**\$39.3**

**1**

**Total Revenues**

**\$15.8**

**\$11.1**

**\$26.9**

**1**

**Net Income**

**(2)**

**\$1.7**

**\$0.9**

**\$2.6**

**1**

**(1)**

Projected 2004 year-end. Generation numbers include long-term contracts.

**(2)**

Income from Continuing Operations

**Combined**

The Nation's Premier Utility Company

11

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**EAST Generation**

Nuclear 9,400 MW

Non-nuclear 15,700 MW

**WEST Generation**

Nuclear 11,100 MW

Non-nuclear 5,850 MW

Creating A Larger Growth Platform

**A combination of three urban utilities, with a low-cost generation portfolio, in an integrated Regional Transmission Organization**

A Win-Win Combination

**Combined Company**

**Enhanced earnings**

**Regulatory and market diversity**

**Increased operating flexibility**

**Strong, stable cash flow with commitment  
to solid investment grade ratings**

**Experienced management team**

**PSEG Brings**

**Excellence in transmission and  
distribution operations**

**Expertise in BGS auction  
development and participation**

**Strong gas LDC experience**

**Exelon Brings**

**Premier nuclear operation  
expertise**

**Broad platform for earnings and  
cash flow growth**

**Large merger integration success**



Opportunity For Improved T&D Reliability

**\$191**

**2.88**

**76**

**0.63**

**Performance**

**PSE&G**

**\$235**

**2.40**

**70**

**1.09**

**Performance**

**Exelon**

**Quartile**

**Quartile**

**2nd**

**2nd**

**Safety (OSHA Recordables Rate)**

**1st**

**3rd**

**Total T&D \$/Customer**

**2nd**

**4th**

**Customer Satisfaction (ACSI)**

**1st**

**2nd**

**Reliability    Outage Frequency (SAIFI)**

**2003 Key Performance Indicators**

**PSE&G has proven track record for reliable, cost effective T&D operations**

**Exelon reliability has improved -- committed to further improvements**

**Focus on customer satisfaction**

**John F. Young**  
**EVP Exelon Corporation & President**  
**Exelon Generation**

15

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Strong Generation Platform

**Premier nuclear operator, based on  
consistent top quartile performance**

**Balanced and diverse generation portfolio**

**Reliable and commercially responsive fossil  
operations**

**Experienced leader in wholesale power  
marketing and risk management**

*Complementary Generation Portfolio Positions New  
Company for Success*

Balanced Generation Portfolio

*Projected 2004 year-end Domestic Generation Capacity  
(includes long-term contracts)*

**Exelon**

**PSEG**

**Exelon/PSEG**

**34,467 MWs**

**17,117 MWs**

**51,584 MWs**

**Balanced fuel, geography and dispatch with improved load serving capabilities**

**Bulk of generation assets are within PJM, the nation's largest and best functioning wholesale power market**

**9%**

**49%**

**5%**

**37%**

**40%**

**11%**

**4%**

**46%**

**21%**

**15%**

**1%**

**63%**

**Nuclear**

**Coal**

**Gas/Oil**

**Hydro/Other**

17

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Improved Dispatch Diversity in Mid-Atlantic

Source: Platt's PowerDat for 2006 data

(Excluding AEP and Northern Illinois)

\$0

\$25

\$50

\$75

\$100

\$125

\$150

0

10,000

20,000

30,000

40,000

50,000

60,000

70,000

80,000

90,000

PJM

Exelon

PSEG

Cumulative PJM Capacity (MW)

Track Record of Operational and  
Commercial Excellence

**Proven model of operations in fossil**

**Significant improvement in reducing fossil  
forced outage rate at Exelon**

**Experience in integrating plants on a national  
operating platform**

**Exelon generating fleet reliably responds to  
market opportunities**

*Increased Scale Will Strengthen  
Operating Position*



Power Marketing and Trading

**Both companies have well-grounded philosophy  
of hedging and risk management**

**Enhanced geographic and customer diversity**

**Improved asset optimization**

**Improving market fundamentals (i.e. tightening  
reserve margins/higher capacity prices) in all  
regions**

*Skills and Experience to Realize Benefits of*

*Assets and Markets*

**Christopher M. Crane**  
**President & CNO Exelon Nuclear**

**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**

**Every 1% increase in capacity factor for PSEG's nuclear fleet generates  
pre-tax income of about \$12 million**

60.0%

70.0%

80.0%

90.0%

100.0%

1999

2000

2001

2002

2003

2004

\$0.00

\$2.00

\$4.00

\$6.00

\$8.00

\$10.00

\$12.00

\$14.00

1999

2000

2001

2002

2003

Opportunity For Improved Nuclear  
Performance

Exelon Non-Fuel  
Production Cost

PSEG Non-Fuel  
Production Cost

Exelon-operated  
Capacity Factor

PSEG-operated  
Capacity Factor

22

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Exelon's Nuclear Track Record

**Exelon's performance record is grounded in its Nuclear  
Management Model**

**Performance tools include:**

**Material condition improvement process**

**Refueling outage execution**

**Cost management strategies**

**Operating fundamentals focus**

**Experienced management and technical team**

**Exelon's experience includes:**

**Large fleet management**

**Operating and regulatory performance recovery**

**Focused issue management**

**Robust, pragmatic and proven methods and processes**

**Thomas M. O Flynn**  
**Chief Financial Officer, PSEG**

**Robert S. Shapard**  
**Chief Financial Officer, Exelon**

Synergies Across All Business Segments

**Delivering approximately \$400 million (year 1) growing to \$500 million (year 2) in annual pre-tax synergies, excluding costs to achieve**

**85% cost synergies, 15% nuclear production improvement**

**70% unregulated, 30% regulated synergies**

**Cost to achieve: \$470m (year 1), \$150m (year 2)  
(primarily allocated to goodwill and capital)**

**Improved nuclear operations starting in 2005 with operating services contract**

**Proven record of cost reduction through The Exelon Way**

**Implementation of best practices**

**Workforce reduction of approximately 5% through retirements, attrition and severance**

\$500 Million of Synergies in Year 2

**7%**

**9%**

**34%**

**39%**

**11%**

**Trading**

**Genco Corp/  
Fossil**

**T&D**

**Corporate,  
Business  
Services**

**Nuclear <sup>(1)</sup>**

**15%**

**16%**

**43%**

**9%**

**Corporate  
Programs**

**Info  
Technology**

**Staffing**

**Supply**

**By Business**

**By Category**

**Nuclear  
Production  
Improvements**



**14%**

**3%**

**Nuclear  
Outage  
Costs**

(1) Includes cost and production improvement

26

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(1)

Net of inter-company transactions, synergies and merger adjustments

(2) Adjusted for securitization impact

**2006E EBITDA = \$7.0 billion**

**Pro Forma EBITDA<sup>(1)(2)</sup> (2006 E)**

Balanced Financial Profile

**2006E Assets = \$79 billion**

**Pro Forma Assets (2006 E)**

**Energy  
Holdings**

**9%**

**ComEd**

**22%**

**Genco**

**36%**

**PECO**

**12%**

**PSE&G**

**21%**

**7%**

**16%**

**11%**

**42%**

**24%**

**Energy  
Holdings**

**PECO**

**ComEd**

**Genco**

**PSE&G**

27

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**\$1.8 - 2.0 B**

**\$2.0 - \$3.0 B**

**Premium**

**To PSEG**

**NPV**

**Synergies <sup>(2)</sup>**

**> \$4.0 B**

**Value To  
PSEG  
Shareholders**

**Premium P/E**

**(1)**

**Assumes 32% PSEG ownership of pro-forma combined company**

**(2)**

**NPV based on after-tax synergies assuming reasonable sharing**

Value Capture to PSEG Shareholders <sup>(1)</sup>

Due to Stronger  
Growth Platform  
and Lower Risk  
Profile

28

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Pro Forma Accretion Assumptions

**Gross synergies of \$400m (year 1) and \$500m  
(year 2)**

**70% unregulated, 30% regulated**

**Financial impact of any regulatory mitigation  
assumed to be neutral**

**Purchase accounting adjustments expected to  
be income neutral**

**\$7.0 billion of estimated additional goodwill**

**Asset and liability step-ups offset each other**

**EPS accretion of 3-4% for Exelon and 11-13% for  
PSEG in 2006 and 2007**

Solid Balance Sheet

Exelon and PSEG believe they will retain solid investment- grade ratings on a combined basis

7.1x

7.0x

EBITDA

Interest Coverage

41%

41%

Debt / Capital

6.2x

5.8x

Funds from Operations

Interest Coverage

31%

28%

Funds from Operations /

Average Total Debt

**Year 2**

**Year 1**

**Pro Forma Key Ratios <sup>(1)</sup>**

(1) Ratios exclude securitized debt and PSEG Energy Holdings

**8%**

**10%**

**28%**

**107%**

**-9%**

**18%**

**65%**

**196%**

**-10%**

**40%**

**90%**

**140%**

**190%**

**240%**

**S&P 500**

**S&P Electrics**

**PSEG**

**Exelon**

Proven Record of Delivering Value

**3 -Year**

**5 -Year**

31

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PSEG Recent Stock Price Performance

**Combination provides opportunity for long-term  
improvement in valuation**

12/15/03

1/23/04

3/5/04

4/15/04

5/26/04

7/5/04

8/13/04

9/24/04

11/5/04

12/15/04

\$35.00

\$40.00

\$45.00

\$50.00

\$55.00

PSEG

S&P Electric Utilities Index

**Nuclear  
issues  
surface**

32

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(1)

**Assumes 68% Exelon ownership of pro-forma combined company**

(2)

**NPV based on after-tax synergies assuming reasonable sharing**

(3)

**2005 P/E discount to Exelon on 12/15/04**

**(\$1.8 2.0B)**

**\$450 - \$500 M**

**\$5.5-\$6.5 B**

**Premium**

**To PSEG**

**PSEG P/E  
Discount <sup>(3)</sup>**

**NPV**

**Synergies <sup>(2)</sup>**

**> \$4.0 B**

**Value To Exelon  
Shareholders**

**Premium P/E**

**Value Capture to Exelon Shareholders <sup>(1)</sup>**

**Due to Stronger  
Growth Platform and  
Lower Risk Profile**

33

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Growing Dividend <sup>(1)</sup>

**(1) Dividends are payable at the discretion of the board of directors**

**(2) Given 1.225 exchange ratio**

34

**PSEG current dividend**

**\$2.20**

**PSEG expected 2005 increase**

**.04**

**PSEG pro forma**

**\$2.24**

**Exelon dividend required to**

**keep PSEG shareholders whole <sup>(2)</sup>**

**\$1.83**

**Current Exelon dividend**

**\$1.60**

**Expected Exelon increase**

**\$0.23 or 14%**

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Earnings Upside from Improving  
Wholesale Market Fundamentals

**Large, low-cost, low-emissions generation  
fleet**

**Built and sited to serve native utility load**

**Illinois transition to market prices**

**Improving capacity values in all regions  
served, led by eastern PJM**

**Will also benefit from high energy prices and  
increasing environmental constraints**

Significant Financial Outcome

**\$8-9 billion present value of synergies <sup>(1)</sup>**

**PSEG valuation discount mitigates merger premium**

**14% higher dividend for Exelon shareholders, PSEG  
shareholders kept whole <sup>(2)</sup>**

**11-13% accretion in 2006/2007 for PSEG**

**3-4% accretion in 2006/2007 for Exelon**

**Strong balance sheet**

**Lower risk profile**

**Positioned for growth**

(1) NPV of after-tax synergies assuming reasonable sharing

(2) Dividends are payable at the discretion of the board of directors

**John W. Rowe**  
**Chairman, President & CEO**  
**Exelon Corporation**

37

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A Compelling New Company

**Combination of two strong industry leaders**

**Increased scale and scope**

**Complementary operations/business models**

**Low-cost supply portfolio**

**Disciplined financial policy**

**Highly experienced management team**

38

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