



140 BROADWAY NEW YORK, NY 10005

RAYMOND E. MOORE, CFA
(212) 320-3065

Trading (212) 320-3001

August 30, 2006

ray.moore@shieldsandco.com

Dow Jones Industrials (8/30/06) - 11,383

Philadelphia Electric Index (8/30/06) - 460

Exelon Last - \$60

52-Week Range - \$61-\$47

Dividend \$1.60; Yield 2.7%

Rating: Hold

EXELON CORPORATION EXC-NYSE-\$60

RESEARCH NOTE

Company announces \$55 million of pre-tax capitalized costs associated with the acquisition of Public Service Enterprises (PEG-NYSE-\$69-Not Rated) and \$742 million write off (presumably goodwill) at Commonwealth Edison.

\$55 Million

The write off on merger-related capitalized costs in our opinion is no big deal. First, it's a relatively minor item and secondly, it would probably have been written off if the merger were to be completed under the typical one-time cost to get the deal done practice. The investment community, in all likelihood, would have ignored the item as non-recurring. The only purpose to act in the third quarter, as we see it, would be to intimidate New Jersey regulators.

\$742 Million Goodwill Impairment - Whose Fault?

Management placed blame for the \$742 million impairment charge squarely on the Illinois Commerce Commission and its July decision allowing only an \$8 million increase versus the \$317 million request. At the very least, management should share part and, perhaps, most of the blame. The merger of Unicom and PECO Energy created \$5 billion of goodwill, all of which was placed on Commonwealth Edison's balance sheet, effectively overstating the value of regulated assets and understating the non-regulated assets. The entry seemed to defy logic since generation, not regulated assets, was Exelon's growth engine.

Goodwill is non-rate base and it was highly unlikely that the distribution assets of Commonwealth Edison (and PECO for impairment tests), even assuming favorable regulation, would have been able to avoid impairment charges. Evidence that management anticipated a goodwill write off came in 2003 when it set up a reserve in Commonwealth Edison retained earnings - "Appropriated Retained Earnings for Future Dividends" - of \$1,099 million. Full write off of goodwill would create negative retained earnings, eliminating it as source of dividends. Dividends can be paid out of appropriated retained earnings. Would goodwill be impaired had, as per SFAS 142, goodwill been allocated to those businesses that stood to benefit from the acquisition?

See page 2 of report for Analyst's Certification, pages 2-3 for Important Disclosures and page 3 for Other Disclosures and Disclaimers

Analyst's Certification

I Raymond E. Moore certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report. Other reports issued by me are: Exelon Corporation (8/2/06 EXC \$59-Hold); WPS Resources (7/25/06 WPS \$52-Hold); SCANA Corporation (6/15/06 SCG \$38-Buy); Exelon Corporation (4/27/06 EXC \$58-Hold); Exelon Corporation (3/23/06 EXC \$55-Hold); Exelon Corporation (3/15/06 EXC \$56-Hold); TXU Corporation (2/28/06 TXU \$52-Hold); Constellation Energy (2/24/06 CEG \$58-Hold); Consolidated Edison/KeySpan (2/17/06 – ED-\$45-Hold, KSE-\$36-Not Rated); Exelon Corporation (1/26/06 EXC \$58-Hold); FPL Group/Constellation Energy (1/9/2006 – FPL \$42-Not Rated, CEG \$58-Hold); TXU Corporation (11/18/05 \$50-Hold); Exelon Corporation (10/4/05 \$53-Sell); Constellation Energy (9/13/05 \$60-Market Perform); Exelon Corporation (8/4/05 \$54-Sell); Pinnacle West Capital (7/14/05 \$45-Market Perform); TXU Corporation (6/8/05 \$81-Market Perform); Duke/CINergy (5/17/05 – DUK-\$28, CIN-\$45.50-Both Rated Market Perform); Constellation Energy (5/12/05 \$54-Market Perform); Consolidated Edison (4/18/05 \$42-Hold); CINergy (3/28/05 \$40-Market Perform); Exelon Corporation (3/8/05 \$47-Sell); CINergy (2/23/05 \$41-not rated); PPL Corporation (2/8/05 \$56-Market Perform Upgrade); TXU Corporation (2/2/05 \$72.62-Market Perform); Accounting for Mergers (1/20/05 Exelon \$43-sell, PEG \$51-not rated); TXU Corp (12/6/04 \$61-Market Perform); Constellation Energy (10/22/04 \$40-Market perform); Exelon Corp. (9/9/04 \$38-Sell); Progress Energy (7/14/04 \$42-Under Perform); Southern Co (7/12/04 \$29-Market Perform); Consolidated Edison (6/24/04 \$40-Hold); Scana Corporation (4/7/04 \$36-Buy); Dominion Resources (3/12/04 \$63-Market Perform Upgrade); Duke Energy (1/8/04 \$21-Under Perform); Dominion Resources (1/23/04 \$62-Under Perform); CMS Energy (11/19/03 \$7-Market Perform); Exelon Corporation (10/15/03 \$65-Sell); TECO Energy (6/24/03 \$13-Hold); Northeast Utilities (5/30/03 \$17-Hold); Southern Co (4/9/03 \$28-Hold); CMS Energy (4/3/03 \$5-Sell); Consolidated Edison (3/24/03 \$40-Hold); PPL Corporation (3/12/03 \$34-Under Perform); Exelon Corp (2/26/03 \$49-Under Perform); TXU Corp (2/6/03 \$17, 1/9/03 \$20 both Under Perform); Duke Energy (1/29/03 \$17-Under Perform, 1/17/03 \$18-Under Perform); Dominion Resources (12/27/02 \$54-Under Perform).

Important Disclosures

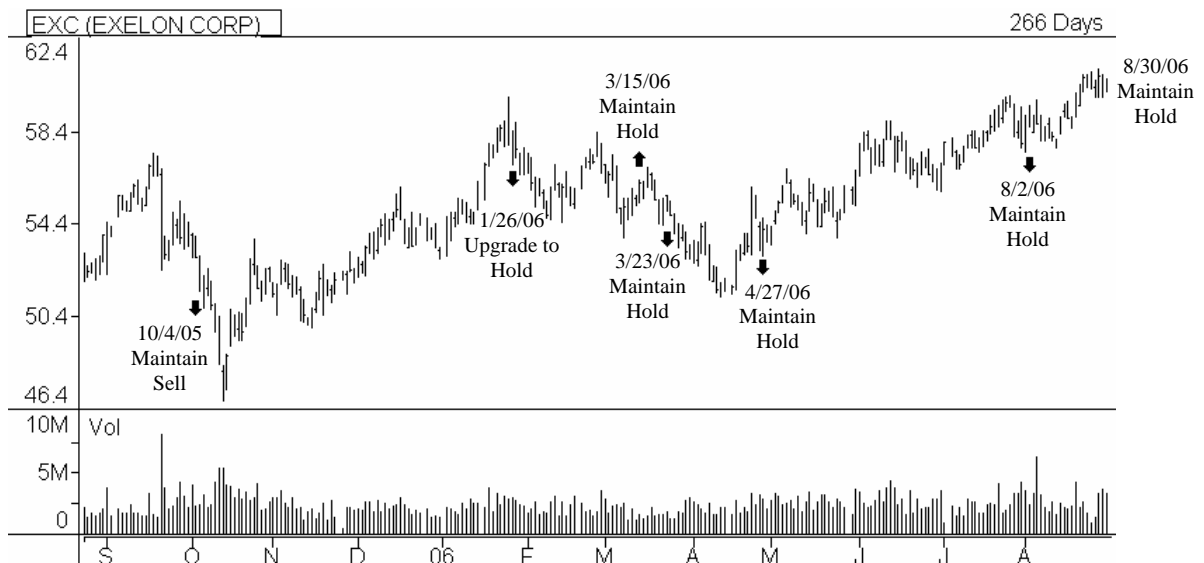
Guide to Investment Ratings:

Buy Total return is expected to exceed significantly the average total return of the analyst's industry coverage universe over the next 12 months.

Market Perform & Hold Total return is expected to equal the average total return of the analyst's industry coverage universe over the next 12 months.

Sell Total return is expected to significantly under perform (15% plus) the total return of the industry coverage universe over the next 12 months.

Range of Formal Recommendations 16 total 1-buy-14-holds-1 sell



Important Disclosures, continued

The firm does not beneficially own 1% or more of any class of common equity securities of the subject company.

The analyst and his household members do not hold positions in the subject company.

Capital Management Associates does not hold positions in the subject company in managed accounts.

Neither Shields nor a director, officer or the research analyst has received any compensation for products or services from the subject company in the past 12 months.

Shields & Company does not make a market in the securities of the subject company.

No officer, director, employee or research analyst of the firm, or a member of the research analyst's household, is an officer, director or employee of the subject company, nor does any officer, director, employee or research analyst of the firm or member of the research analyst's household serve in any advisory capacity to the subject company.

Shields & Company is not aware of any actual material conflicts of interest for the research analyst, or the firm, which the research analyst knows or has reason to know, at the time this report is published or otherwise distributed.

Other Disclosures and Disclaimers

This research report and recommendations agree with the personal opinion of the analyst who prepared this report.

Any financial interest that the research analyst or member of the analyst's household or any other individual directly involved with the preparation of this report has in the subject company, has been disclosed in the Important Disclosures section.

Investing is a risky activity and can lead to substantial losses. This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. Shields & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

This report is not an offer to buy or sell any security or to participate in any trading strategy. Shields & Company and/or its employees not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report. Derivatives may be issued by Shields & Company or associated persons. The firm does not make a market in the shares of the companies mentioned, has no relationship with them, and has not received any compensation from them.

Shields & Company makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change apart from when we intend to discontinue research coverage of a subject company.

Reports prepared by Shields & Company and its research personnel are based on public information. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other business areas.

Shields & Company research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses from such visits.