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# FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

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## NEWS RELEASE

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### FOR IMMEDIATE RELEASE

June 30, 2005  
Docket No. EC05-43-000

## COMMISSION APPROVES EXELON-PSEG MERGER TRANSACTION

The Federal Energy Regulatory Commission today approved the proposed merger of Chicago-based Exelon Corp. with Public Service Enterprise Group Inc. (PSEG) of New Jersey, a transaction that would result in the largest U.S. utility with assets of nearly \$80 billion. The merged company, to be known as Exelon Electric & Gas Corp., would serve 7 million electric customers and 2 million natural gas customers in Illinois, New Jersey and Pennsylvania.

Under the Federal Power Act and the standards set under the Commission's 1996 merger policy guidelines (Order No.592), the Commission reviews public utility mergers to evaluate the transaction's effect on competition, rates and regulation. The Commission must approve a merger if it finds it is consistent with the public interest.

The companies have committed to divest 4,000 megawatts of intermediate and peaking generation facilities located primarily in eastern PJM Interconnection, and to sell energy from 2,600 megawatts of nuclear capacity, which they characterize a "virtual divestiture". With this proposed mitigation, the merger will not harm competition, the Commission concluded. Further, the Commission said Exelon and PSEG responded to all issues raised by protestors to the merger.

"We have recognized that operational control of generation resources is a key element of market power analysis and mitigation," the Commission said, noting that "the virtual divestiture effectively transfers control of the output of 2,600 MW of nuclear capacity from the merged firm to the purchasers." An independent auction monitor will oversee the companies' compliance with the virtual divestiture commitment. In addition, the applicants will set up a public compliance website that will show how they are complying with the virtual divestiture and other mitigation requirements.

The Commission accepted Exelon's and PSEG's identification of a pool of generation available for divestiture rather than specific generating plants. This addresses the concern that Exelon might divest its least efficient units, the Commission said. "Establishing a pool of generation eligible for divestiture allows the potential buyers of the plants to bid on the ones that they most highly value."

Because the applicants identified the general location and cost characteristics of the generation facilities to be divested, the Commission determined that, based on reasonable assumptions about the buyers of the assets, there would be no harm to competition. In addition, the Commission relied upon the commitment to provide an updated analysis of the merger's effect on competition, based on the actual acquirers of the actual divested assets, once they are known. If subsequent analysis shows that the merger's harm to competition has not been sufficiently mitigated, the Commission said it would require additional mitigation at that time.

The Commission further found the applicants' combination of generation and transmission facilities will not harm competition, noting that both companies have transferred control of their transmission systems to the PJM regional transmission organization. Such transfer "mitigates the ability to use control of transmission assets to harm competition in wholesale markets," the Commission concluded.

Exelon, a registered public utility holding company, distributes electricity through its subsidiaries, mainly Commonwealth Edison and PECO Energy. Exelon Generation Company owns or controls approximately 33,000 megawatts of generation capacity, including ownership interests in 11 nuclear generating plants. PSEG Holdings is an exempt public utility holding company with four major subsidiaries, including Public Service Electric and Gas Co.

The Commission's approval is the first of a number of regulatory reviews pending for the Exelon-PSEG merger. Among others, the transaction must be approved by utility regulators in New Jersey and Pennsylvania, as well as by federal agencies including the Nuclear Regulatory Commission, the Securities and Exchange Commission and the Department of Justice.

For more information, go to the Commission's website at [www.ferc.gov](http://www.ferc.gov).