



PECO ENERGY

PECO Energy Company
2301 Market Street
PO Box 8699
Philadelphia, PA 19101-8699
215 841 4000

July 13, 2000

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JUL 13 2000

Mr. James McNulty, Secretary
Pennsylvania Public Utility Commission
North Office Building - P. O. Box 3265
Harrisburg, PA 17105-3265

RE: Application of PECO Energy Company, Pursuant to Chapters 19, 21, 22 and 28 of the Public Utility Code, for Approval of (1) a Plan of Corporate Restructuring, Including the Creation of a Holding Company and (2) the Merger of the Newly Formed Holding Company and Unicom Corporation

Dear Jim:

A-110550 FOI47

Enclosed for your information and records is a copy of the letter dated April 14, 2000, the signature of the City of Philadelphia and Appendix G.

In addition, I have also enclosed another letter relating to the merger, dated April 27, 2000, so you may have it for your records.

Sincerely,

Steve

Steve Xander
Enc.

DOCUMENT
FOLDER



PECO ENERGY

PECO Energy Company
2301 Market Street
PO Box 8699
Philadelphia, PA 19101-8699
215 841 5544
Fax 215 568 3389

James W. Durham
Senior Vice President
and General Counsel

Edward J. Cullen, Jr.
Deputy General Counsel

Sandra H. Byrne
Legal Administrator

Paul R. Bonney
Eileen M. Cavanaugh
Jessica N. Cone
Todd D. Cutler
Harvey B. Dikter
Susan Sciamanna Foehl
Vilna Waldron Gaston
Gregory Golazeski
John C. Halderman
Mary McFall Hopper
Conrad O. Kattner
Kristopher Keys
Jeffrey J. Norton
Mark B. Peabody
Roslyn G. Pollack
H. Alfred Ryan
Wendy Schermer
Richard S. Schliegei
Jenny P. Shulbank
Ward L. Smith
Delia W. Stroud
Ronald L. Zack
Assistant General Counsel

FEDEX

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
North Office Building, Room 6-113
Commonwealth Avenue and North Street
Harrisburg, Pennsylvania 17105-3265

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DOCKETED
JUL 17 2000

April 14, 2000

RE: Application of PECO Company, Pursuant to Chapters 11, 19, 21, 22 and 28 of the Public Utility Code, for Approval of (1) a Plan of Corporate Restructuring, Including the Creation of a Holding Company and (2) the Merger of the Newly Formed Holding Company and Unicom Corporation

Dear Secretary McNulty:

On behalf of the signatory parties, enclosed for filing are an original and three copies of additions to the Joint Petition for Settlement in the above-captioned matter, originally filed with the Commission on March 23, 2000.

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The additions are as follows:

JUL 13 2000

1. The signature of the City of Philadelphia
2. Appendix G, which sets forth the terms and conditions of certain rights and options that will be granted to the City under its existing Rule 4.6 contract. The Joint Petition (¶ 68) anticipated that Appendix G would be added upon completion of negotiations with the City.

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

The Joint Petitioners concur in these additions and ask that the Commission approve item 2 as part of the Settlement.

Sincerely,

Paul R. Bonney

PRB/mbo

Enclosures

cc: John M. Quain, Chairman
Nora Mead Brownell, Commissioner
Aaron Wilson, Jr., Commissioner

April 13, 2000
Page 2

Terrance J. Fitzpatrick, Commissioner
Robert K. Bloom, Commissioner
Administrative Law Judge Charles E. Rainey, Jr. (Via Hand Delivery)
All parties to this proceeding and to PECO's Electric Restructuring
Proceeding (per the Certificate of Service)

Certificate of Service

I hereby certify that I have this day served the foregoing document on the following in the matter of PECO Energy Company's Application For Approval of (1) A Plan of Corporate Restructuring, Including the Creation of a Holding Company and (2) The Merger of the Newly Formed Holding Company and Unicom Corporation by first class mail:

Parties to PECO Energy's Application A-110550F0147:

John Hanger
212 Locust Court, Suite 410
Harrisburg, PA 17101
email: hanger@pennfuture.org
(Counsel for Citizens for Pennsylvania's Future)

Christopher B. Craig, Esq.
Senate Democratic Appropriations Committee
Room 545, Main Capitol Building
Harrisburg, PA 17120
email: ccraig@dem.pasen.gov
(Counsel for Senator Fumo)

Paul R. Forshay, Esq.
Gregory K. Lawrence, Esq.
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, D.C. 20004-2415
email: glawrence@sablaw.com
(Counsel for Shell Energy Services Company, L.L.C.)

Charis M. Burak, Esq.
McNees, Wallace & Nurick
100 Pine Street
Harrisburg, PA 17108
email: cburak@mwn.com
(Counsel for Phila. Area Industrial Energy Users
Group & Counsel to the Industrial Energy Consumers of Pa.)

Paul E. Russell, Esq.
PP&L, Inc.
Two North Ninth Street
Allentown, PA 18101
email: perussell@papl.com
(Counsel for PP&L)

Gerald Gornish, Esq.
Wolf, Block, Schorr and Solis-Cohen LLP
1650 Arch Street - 22nd Fl.
Philadelphia, PA 19103
email: ggornish@wolfblock.com
(Counsel for Enron Energy Services, Inc.)

John Halsted, Esq.
Gawthrop, Greenwood & Halsted
119 North High Street
West Chester, PA 19381
email: gghlaw@gawthrop.com
(Counsel for East Brandywine Township)

Tanya McCloskey/ Irwin A. Popowsky, Esq.
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101
email paoca@ptd.net

154446

Peter Meadows Adels
Charles McPhedran
117 South 17th St., Suite 1801
Philadelphia, PA 19103
email: meadowsadels@pennfuture.org
(Counsel for Citizens for Pennsylvania's Future)

Eric Epstein
4100 Hillsdale Road
Harrisburg, PA 17112
email: eepstein@igc.apc.org
(Pro Se)

Amy Gold
Shell Energy Services Co., L.L.C.
P.O. Box 4402
Houston, TX 77210
(Counsel for Shell Energy Services Company, L.L.C.)

David M. Kleppinger, Esq.
McNees, Wallace & Nurick
100 Pine Street
Harrisburg, PA 17108
email: dkleppin@mwn.com
Counsel for Phila. Area Industrial Energy Users
Group, to the Industrial Energy Consumers of Pa. And City of
Philadelphia)

Donald A. Kaplan, Esq.
Leanne M. Bober, Esq.
Preston Gates Ellis & Rouvelas Meeds LLP
Suite 500
1735 New York Ave., NW
Washington, DC 20006
email: donk@prestongates.com
(Counsel for PP&L)

Daniel Clearfield, Esq.
Kevin Moody, Esq.
Wolf, Block, Schorr and Solis-Cohen LLP
1650 Arch Street - 22nd Fl.
Philadelphia, PA 19103
email: dclearfield@wolfblock.com
kmoody@wolfblock.com
(Counsel for Enron Energy Services, Inc.)

Bernie Ryan, Esq.
Office of Small Business Advocate
Suite 1102, Commerce Bldg.
300 North Second Street
Harrisburg, PA 17101
(Counsel for Small Business Advocate)

Craig A. Doll, Esq.
214 State Street
Harrisburg, PA 17101-1108
email: cdoll76342@aol.com
(Counsel for Conectiv Energy)

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JUL 13 2000

OFFICE OF THE
SECRETARY'S BUREAU

Joseph Otis Minott, Esq.
135 South 19th Street- Suite 300
Philadelphia, PA 19103
email: joe_minott@cleanair.org
(Counsel for Clean Air Counsel)

Thomas Schmidt, III, Esq./
Brian P. Downey, Esq.
Pepper Hamilton LLP
200 One Keystone Plaza
North Front and Market Streets
Harrisburg, PA 17108
email: downeyb@pepperlaw.com
(Counsel for Amtrak)

Kenneth M. Barna, Esq.
Wayne R. Frigard, Esq.
Rubin and Rudman LLP
50 Rowes Wharf
Boston, MA 02110
email: wfrigard@rubinrudman.com
(Counsel for Amtrak)

Phil Bertocci, Esq.
Community Legal Services, Inc.
1424 Chestnut Street, 4th Fl.
Philadelphia, PA 19102
email: pbertocci@clsphila.org
(Counsel for CEPA, et al.)

Joe Dworetzky, Esq./Matthew Hamermesh, Esq.
Hangley Aronchick Segal & Pudlin
One Logan Squire - 27th Fl.
Philadelphia, PA 19103
email: jad@hangley.com
mah@hangley.com
(Counsel for Mid-Atlantic Power Supply)

John L. Munsch, Esq.
Deborah J. Henry, Esq.
Allegheny Power
800 Cabin Hill Drive
Greensburg, PA 15601-1689
email: jmunsch@alleghenyenergy.com
dhenry1@alleghenyenergy.com
(Counsel for Allegheny Power)

Kenneth L. Mickens, Esq.
Pennsylvania Public Utility Commission
Office of Trial Staff
901 North 7th Street, 3rd Fl.
Harrisburg, PA 17102
email mickens@puc.state.pa.us
(Counsel for Office of Trial Staff)

Robert Jaffe, Esq.
City Hall - Room 588
Philadelphia, PA 19107
email: lagranger@aol.com
(counsel ofr Councilamn David Cohen)

Michael Fiorentino, Esq.
105 North Front Street; Suite 106
Harrisburg, PA 17101
email: mfioren@paonline.com
(Counsel for Clean Air Counsel)

John Will Ongman, Esq.
Marc Machlin, Esq.
Pepper Hamilton LLP
600 Fourteenth St., NW
Washington, DC 20005
email: ongmanj@pepperlaw.com
machlinm@pepperlaw.com
(Counsel for Amtrak)

Patricia J. Clark, Esq.
Norbert J. Smith, Esq.
Allegheny Energy Supply Company, LLC
Roseytown
RR 12, Box 1000
Greensburg, PA 15601
email: pclark@alleghenyenergy.com
nsmith2@alleghenyenergy.com
(Counsel for Allegheny Energy)

Patricia McNamara
6048 Ogontz Avenue
Philadelphia, PA 19141
email: cepa1966@aol.com

Christopher J. Townsend, Esq.
Piper Marbury Rudnick & Wolfe
203 N. LaSalle St., #1500
Chicago, IL 60601
email: chris.townsend@piperrudnick.com
(Counsel for New Energy)

John Hall, Esq.
Unruh, Turner, Burke & Frees
17 West Gay Street
West Chester, PA 19381
email: jhall@utbf.com
(Counsel for Wallace Township)

Greg Pastore
619 Pemberton Street
Philadelphia, PA 19147
email: gregpastore@yahoo.com

Carville B. Collins, Esq.
Piper Marbury Rudnick & Wolfe
6225 Smith Ave.
Baltimore, MD 21209-3600
email: carville.collins@piperrudnick.com
(Counsel for New Energy)

Commentors to PECO Energy's Application: A-110550F147:

Glenn Meader
23 Milton Street
Feasterville, PA 19053

Jim McDevitt
310 Hopwood Drive
Warminster, PA 18974-3630

Jon Emery
421 Belle Lane
Harleysville, PA 19438

Honorable Allyson Schwartz
Senate of Pennsylvania
Harrisburg, PA 17130

Dorothy Ferebee
1531 W. Tioga Street, Apt.
Philadelphia, PA 19140

Charles A. Gallagher, Jr.
126 S. Landsdowne Avenue
Landsdowne, PA 19050

John Collins
490 McGregor Drive
West Chester, PA 19380

Charles Cattley
993 N. 7th Street
Allentown, PA 18101

Parties to PECO Energy's Electric Restructuring:

Steven P. Hershey, Esq.
Connolly Epstein Chicco Foxman et al.
1515 Market Street - 9th Floor
Philadelphia, PA 19102-1909

Audrey Van Dyke, Associate Counsel
Naval Facilities Engineering Command
Washington Navy Yard, Building 218, Room 200
901 M Street, S.E.
Washington, DC 20374-5018
(Counsel for Dept. of Navy)

Stephanie A. Sugrue, Esq./ Mary Ann Ralls, Esq.
Shelia Hollis, Esq.
Duane, Morris & Heckscher, LLP
1667 K Street, N.W. - Suite 700
Washington, DC 20006
(Counsel for QST)

Gordon Smith, Esq.
John & Hengerer
1200 17th Street, N.W. - Suite 600
Washington, DC 20036-3006
(Counsel for Electric Clearinghouse, Vastar and Noram Energy)

Michael G. Banta, Esq.
Indianapolis Power & Light Company
One Monument Circle
P.O. Box 1595
Indianapolis, IN 46206-1595
(Counsel for IP&L)

Linda C. Smith, Esq.
Dilworth, Paxson, Kalish & Kauffman
305 North Front Street, Suite 403
Harrisburg, PA 17101
(Counsel for AARP)

Vincent J. Walsh, Jr., Esq.
South Eastern Pennsylvania Transportation Authority
1234 Market Street - Fifth Floor
Philadelphia, PA 19107-378-0
(Counsel for SEPTA)

Susan M. Shanaman, Esq.
212 North Third Street, Suite 203
Harrisburg, PA 17101
(Counsel for CEED)

Ethan Giddings
217 Rodman Avenue
Jenkintown, PA 19046

Roger Clark, Esq.
NESIP 905 Denston Drive
Ambler, PA 19002-3901
(Attorney for Environmentalists)

Michael L. Kessler, VP & General Counsel
American Energy Solutions, Inc.
111 South Alfred Street
Alexandria, VA 22314

Lance S. Haver
6048 Ogontz Avenue
Philadelphia, PA 19141

Joseph J. Malatesta, Jr., Esq.
Lillian Smith Harris, Esq.
Malatesta Hawke & McKeon LLP
Harrisburg Energy Center
100 North Tenth Street - P.O. Box 1778
Harrisburg, PA 17105
(Counsel for Municipal Group)

Usher Fogel, Esq.
Roland, Fogel, Koblenz & Carr, LLP
1 Columbia Place
Albany, NY 12207
(Counsel for Pennsylvania Petroleum Association)

David Desalle, Esq.
Ryan, Russell, Ogden & Seltzer
800 North Third Street, Suite 101
Harrisburg, PA 17102
(Counsel for GPU)

Paul L. Zeigler, Esq.
Zeigler & Zimmerman, PC
355 North 21st Street, Suite 304
P.O. Box 1080
Camp Hill, PA 17011-3707
(Counsel for Delaware Valley Schools Energy/Utility Consortium)

Kenneth Zieionis, Esq.
Stevens & Lee
208 N. 3rd Street - Suite 310
Harrisburg, PA 17108-2090
(Counsel for Pennsylvania Retailers Association)

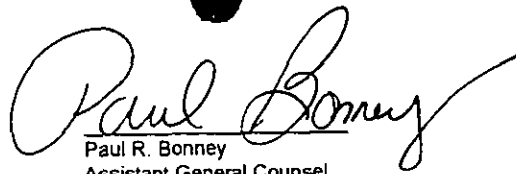
Philip D. McFarren
McFarren Group
Suite 1100, 200 North Third Street
Harrisburg, PA 17101

Craig Goodman
3220 North Street, NW
Suite 338
Washington, DC 20007

Pennsylvania Rural Electric Association
212 Locust Street
Harrisburg, PA 17108

Al Benincasa
Skipping Stone
46 9th Avenue
Sea Cliff, NY 11579

John Earwood
Pennsylvania Department of Aging
555 Walnut Street - 5th Floor
Harrisburg, PA 17101

A handwritten signature in black ink that reads "Paul R. Bonney". The signature is written in a cursive style with a horizontal line underneath the name.

Paul R. Bonney
Assistant General Counsel
PECO Energy Company
2301 Market Street, S23-1
Philadelphia, PA 19103
(215) 841-4252

Dated: April 14, 2000

APPENDIX G

CITY OF PHILADELPHIA

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City of Philadelphia Term Sheet

1. **Rate Discounts** -- The City will receive its allocable share of rate discounts as set forth in the global settlement document.
2. **Reliability** -- Reliability is addressed in the global settlement document.
3. **Headquarters and Employment** -- Commitments regarding corporate headquarters and employment are addressed in the global settlement document and the letter attached to this Term Sheet.
4. **Amendments to the City's Existing Rule 4.6 Contract**

A. General

Upon close of merger (nominally October, 2000), the service under the City's existing Rule 4.6 contract (currently in effect through June 30, 2001 with automatic one-year renewals through June 30, 2004, absent timely notice of non-renewal) will be divided into "Rule 4.6 Streetlight Service" and "Other Rule 4.6 Service."

B. Streetlight Service

For Rule 4.6 Streetlight Service, the City will be provided service as follows:

- From close of merger until June 30, 2001 – The City will take Rule 4.6 Streetlight Service pursuant to tariff Rate SL-P, with an 11.2% discount applied to the total charges for Streetlight Service each month.
- On or before July 1, 2001, PECO will make a filing with the PaPUC to eliminate tariff Rate SL-P.
- On July 1, 2001, the City's Rule 4.6 Streetlight Service will be switched to tariff Rate SL-E, with no discount applied to the total charges for Rule 4.6 Streetlight Service each month.
- Until June 30, 2010, the City agrees that it may not seek to implement any initiative to reduce its streetlight usage, including rewiring of streetlights that would result in a reduction of customer charges or connection charges. The City is permitted to install new lamp technology, as such technology may become available from time to time, without violating this provision.

C. Other Rule 4.6 Service

For Other Rule 4.6 Service (limited to those accounts defined as Underlying City Accounts in the City's existing Rule 4.6 contract), the City will be provided service as follows:

- At close of merger, PECO will increase the discount on the City's Other Rule 4.6 Service (service taken pursuant to Rates HT, PD, and GS), to a 14.55% discount applied to the total charges for Other Rule 4.6 Service each month. (The applicable rate class designations for the City accounts for purposes of this agreement are the rate classes in effect for each account as of March 30, 2000.)

D. City Option to Accept Service

- Each year, by January 10, the City will inform PECO of whether it will exercise its option to take its full generation service for its Rule 4.6 Streetlight Service and its Other Rule 4.6 Service under the terms described above, subject to the appropriation of funds by City Council. The Rule 4.6 Streetlight Service under Rate SL-E, and the discounted Other Rule 4.6 Service, will be available on an annual option basis each July 1 for successive or intermittent one-year terms until December 31, 2010 (a 6-month term for the period ending on December 31, 2010).
- If, during the period from close of merger until June 30, 2004, the City does not take its full generation services for Rule 4.6 Streetlight Service and Other Rule 4.6 Service from PECO, then (a) the City's prospective discount for Other Rule 4.6 Service will be changed to 8.65% for all parts of its service (transmission, distribution, CTC, ITC, energy, capacity, customer charges, and any other charges) until December 31, 2006, and (b) PECO need not offer the City any discount on its energy and capacity for the period January 1, 2007 until December 31, 2010, but the City will receive a 14.55% discount on all other charges for Other Rule 4.6 Service for that period.
- If, during the period from July 1, 2004 until December 31, 2006, the City does not take its full generation services for Rule 4.6 Streetlight Service and Other Rule 4.6 Service from PECO, then (a) the City's prospective discount for Other Rule 4.6 Service will be changed to 11.6% for all parts of its service (transmission, distribution, CTC, ITC, energy, capacity, customer charges, and any other charges) until December 31,

2006, and (b) PECO need not offer the City any discount on its energy and capacity for the period January 1, 2007 until December 31, 2010, but the City will receive a 14.55% discount on all other charges for Other Rule 4.6 Service for that period.

- If the City receives its full generation service from PECO on a continuous basis until December 31, 2006, then the City will receive a discount of 14.55% on its Other Rule 4.6 Service energy and capacity from PECO from January 1, 2007 through December 31, 2010.
- If, during the period from January 1, 2007 until December 31, 2010, the City chooses not to take its full generation services for Rule 4.6 Streetlight Service and Other Rule 4.6 Service from PECO, then (a) the City's discount for Other Rule 4.6 Service will remain at 14.55% for all parts of its service that it will continue to receive from PECO (transmission, distribution, CTC, ITC, customer charges, and any other charges) until December 31, 2010, and (b) the City may choose to return to PECO for energy and capacity services for its next option year and receive those services at a 14.55% discount for Other Rule 4.6 Service.

E. Expiration of Discounts

- All discounts available pursuant to this settlement expire as of December 31, 2010.

F. Chillers

- The City may, without penalty or reduction in the discounts stated above or pursuant to Section G below, install combined natural gas/electric chillers at any City site or combination of sites, with an aggregate nameplate cooling load of no more than 4000 tons, provided that at least ½ of the installed capacity chilling load at each such site shall be provided by using electric power from the hybrid chiller.
- Until June 30, 2006, the City may not install or purchase from a natural gas steam absorption chiller or a hybrid steam absorption chiller in excess of the amounts listed above.

G. Other Energy Competitive Alternatives

The City will not implement any Energy Competitive Alternative, other than those described above, prior to December 31, 2006. If the City implements an Energy Competitive Alternative (ECA) after January 1, 2007, the City will forego the dollar amount of its discount applicable at that time in an amount equivalent to the dollar amount by which the implemented ECA reduces PECO's revenues. For purposes of calculating the dollar amount of the foregone discount, PECO will utilize the most recent 12-month billings by PECO to the facility at which the ECA is being installed and calculate the dollar amount by which implementation of the ECA will reduce the 12-month PECO revenue from that facility. PECO will then calculate the most recent 12-month billing history for the total City of Philadelphia accounts covered by the 4.6 Contract, apply the discount applicable at that time, and produce the dollar amount of the total discount. The total dollar amount of the discount would then be reduced by the dollar amount of PECO's lost revenue as calculated for implementation of the ECA. This revised dollar amount discount will then be divided by the 12-month billing revenue on all City accounts covered by the Other Rule 4.6 Service in order to calculate the percentage discount going forward. An example of the application of this methodology for the 14.55% discount that will be in effect after close of the merger is as follows:

1. 12 mo. PECO revenue at facility implementing ECA	\$4 million
2. PECO revenue reduction due to ECA	\$2 million
3. 12 mo. PECO revenue under Other Rule 4.6 Service	\$50 million
4. Dollar Value of Other Rule 4.6 Service (Line 3 x 14.55%) million	\$7.275
5. Reduced Dollar Value of Other Rule 4.6 Service Discount (Line 4 - Line 2) million	\$5.275
6. New Percentage Discount for Other Rule 4.6 Service (Line 3 - Line 2)/Line 5	10.99%

5. CNG commitment

For a period of 5 years after closing the merger, PECO commits to maintain a marketing position in CNG at no less than its current level, as long as it remains profitable for PECO to maintain such a position. In addition, for a period of 5 years after closing the merger, PECO will maintain its existing CNG stations through one of the following options: (1) continued ownership and operation, (2) continued lease and operation, or (2) sale or lease to an individual or entity that has demonstrated to PECO's satisfaction that it intends to and has the capability to continue to operate the station(s). Continued operation of the stations is subject to PECO's ability to acquire appropriate licenses, permits and approvals from local government authorities, as those licenses, permits, and approvals may be required from time to time.

6. Clean Cities Conference

PECO will provide a \$40,000 cash/in-kind contribution to support the Clean Cities Conference in 2001 if the City obtains that conference. In return for the contribution, the City will provide PECO with maximum sponsorship package available for its contribution level, as established by the Department of Energy's sponsorship guidelines.

7. City Commitments

The City commits to provide the following:

- It will support the merger by a letter from the Mayor to the Pennsylvania Public Utility Commission
- It will provide a statement or testimony, to be attached to the merger settlement document, supporting the merger as in the public interest.
- ~~The Director of the Municipal Energy Office will appear at one or more public input sessions for the merger and provide on-the-record testimony supporting the merger as in the public interest.~~

KRM

APPROVED AS TO FORM
 KENNETH I. TRUJILLO, CITY SOLICITOR
 Per Wanda L. Smith
 Chief Deputy City Solicitor

4/12/00

Date

Kent R Miller
 For the City of Philadelphia

Wanda L Smith
 For PECO Energy Company

4-12-00
 Date

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FILED JUL 17 2000



PECO ENERGY

DOCKETED
JUL 17 2000

Thomas P. Hill, Jr.
Vice President
Regulatory and External Affairs

PECO Energy Company
2301 Market Street
PO Box 8699
Philadelphia, PA 19101-8699
215 841 5802
Fax 215 841 6866

DOCUMENT
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April 27, 2000

RECEIVED

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
North Office Building, Room B-18
Commonwealth Avenue and North Street
Harrisburg, Pennsylvania 17105-3265

JUL 13 2000

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

RE: Application of PECO Company, Pursuant to Chapters 11, 19, 21, 22 and 28 of the Public Utility Code, for Approval of (1) a Plan of Corporate Restructuring, Including the Creation of a Holding Company and (2) the Merger of the Newly Formed Holding Company and Unicom Corporation

Dear Secretary McNulty:

The Joint Petition for Settlement in this proceeding contains terms and conditions related to the City of Philadelphia's Rule 4.6 contract (¶ 68 and Appendix G), for which Commission approval is sought as part of the Settlement.

PECO and the City would like the Commission and the parties to be aware that PECO made additional commitments to the City to resolve this matter and to obtain the City's execution of the Settlement. PECO has made three additional commitments to the City:

1. Employment and Distribution Headquarters

PECO has made certain commitments regarding employment and maintenance of its distribution company headquarters, as set forth in the attached letter. PECO will provide the City with a copy of the annual statement filed with the Commission pursuant to ¶ 65 of the Settlement.

2. Compressed Natural Gas

For a period of 5 years after closing the merger, PECO commits to maintain a marketing position in CNG at no less than its current level, as long as it remains profitable for PECO to maintain such a position. In addition, for a period of 5 years after closing the merger, PECO will maintain its existing CNG stations through one of the following options:

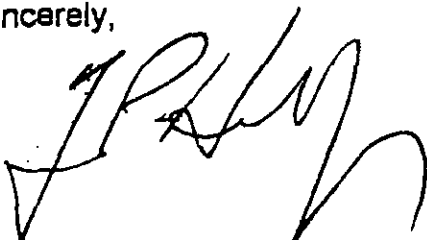
(1) continued ownership and operation, (2) continued lease and operation, or (2) sale or lease to an individual or entity that has demonstrated to PECO's satisfaction that it intends to and has the capability to continue to operate the station(s). Continued operation of the stations is subject to PECO's ability to acquire appropriate licenses, permits and approvals from local government authorities, as those licenses, permits, and approvals may be required from time to time.

3. Clean Cities Conference

PECO will provide a \$40,000 cash/in-kind contribution to support the Clean Cities Conference in 2001 if the City obtains that conference. In return for the contribution, the City will provide PECO with maximum sponsorship package available for its contribution level, as established by the Department of Energy's sponsorship guidelines.

Approval of the above-stated commitments to the City is not being requested from the Commission in connection with approval of the Settlement. However, PECO agrees that ¶¶ 69 and 70 of the Settlement will not bar the City from asserting any claims for relief with respect to the above-stated commitments before the Commission.

Sincerely,



cc: John M. Quain, Chairman
Nora Mead Brownell, Commissioner
Aaron Wilson, Jr., Commissioner
Terrance J. Fitzpatrick, Commissioner
Robert K. Bloom, Commissioner
Administrative Law Judge Charles E. Rainey, Jr. (Via Hand Delivery)
Certificate of Service

Certificate of Service

I hereby certify that I have this day served the foregoing document on the following in the matter of PECO Energy Company's Application For Approval of (1) A Plan of Corporate Restructuring, including the Creation of a Holding Company and (2) The Merger of the Newly Formed Holding Company and Unicom Corporation by first class mail:

Parties to PECO Energy's Application A-110550F0147:

John Hanger
212 Locust Court, Suite 410
Harrisburg, PA 17101
email: hanger@pennfuture.org
(Counsel for Citizens for Pennsylvania's Future)

Christopher B. Craig, Esq.
Senate Democratic Appropriations Committee
Room 545, Main Capitol Building
Harrisburg, PA 17120
email: ccraig@dem.pasen.gov
(Counsel for Senator Furno)

Paul R. Forshay, Esq.
Gregory K. Lawrence, Esq.
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, D.C. 20004-2415
email: glawrence@sablaw.com
(Counsel for Shell Energy Services Company, L.L.C.)

Charis M. Burak, Esq.
McNees, Wallace & Nurick
100 Pine Street
Harrisburg, PA 17108
email: cburak@mwn.com
(Counsel for Phila. Area Industrial Energy Users
Group & Counsel to the Industrial Energy Consumers of Pa.)

Paul E. Russell, Esq.
PP&L, Inc.
Two North Ninth Street
Allentown, PA 18101
email: perussell@papl.com
(Counsel for PP&L)

Gerald Gornish, Esq.
Wolf, Block, Schorr and Solis-Cohen LLP
1650 Arch Street - 22nd Fl.
Philadelphia, PA 19103
email: ggornish@wolfblock.com
(Counsel for Enron Energy Services, Inc.)

John Halsted, Esq.
Gawthrop, Greenwood & Halsted
119 North High Street
West Chester, PA 19381
email: gghlaw@gawthrop.com
(Counsel for East Brandywine Township)

Tanya McCloskey/ Irwin A. Popowsky, Esq.
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101

Peter Meadows Adels
Charles McPhedran
117 South 17th St., Suite 180
Philadelphia, PA 19103
email: meadowsadels@pennfuture.org
(Counsel for Citizens for Pennsylvania's Future)

Eric Epstein
4100 Hillsdale Road
Harrisburg, PA 17112
email: eepstein@igc.apc.org
(Pro Se)

Amy Gold
Shell Energy Services Co., L.L.C.
P.O. Box 4402
Houston, TX 77210
(Counsel for Shell Energy Services Company, L.L.C.)

David M. Kleppinger, Esq.
McNees, Wallace & Nurick
100 Pine Street
Harrisburg, PA 17108
email: dkleppin@mwm.com
Counsel for Phila. Area Industrial Energy Users
Group, to the Industrial Energy Consumers of Pa. And City of
Philadelphia)

Donald A. Kaplan, Esq.
Leanne M. Bober, Esq.
Preston Gates Ellis & Rouvelas Meeds LLP
Suite 500
1735 New York Ave., NW
Washington, DC 20006
email: donk@prestongates.com
(Counsel for PP&L)

Daniel Clearfield, Esq.
Kevin Moody, Esq.
Wolf, Block, Schorr and Solis-Cohen LLP
1650 Arch Street - 22nd Fl.
Philadelphia, PA 19103
email: dclearfield@wolfblock.com
kmoody@wolfblock.com
(Counsel for Enron Energy Services, Inc.)

Bernie Ryan, Esq.
Office of Small Business Advocate
Suite 1102, Commerce Bldg.
300 North Second Street
Harrisburg, PA 17101
(Counsel for Small Business Advocate)

Craig A. Doll, Esq.
214 State Street
Harrisburg, PA 17101-1108
email: cdoll76342@aol.com
(Counsel for Conectiv Energy)

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A PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

email paoca@ptd.net

Joseph Otis Minott, Esq.
135 South 19th Street- Suite 300
Philadelphia, PA 19103
email: joe_minott@cleanair.org
(Counsel for Clean Air Counsel)

Thomas Schmidt, III, Esq./
Brian P. Downey, Esq.
Pepper Hamilton LLP
200 One Keystone Plaza
North Front and Market Streets
Harrisburg, PA 17108
email: downeyb@pepperlaw.com
(Counsel for Amtrak)

Kenneth M. Barna, Esq.
Wayne R. Frigard, Esq.
Rubin and Rudman LLP
50 Rowes Wharf
Boston, MA 02110
email: wfrigard@rubinrudman.com
(Counsel for Amtrak)

Phil Bertocci, Esq.
Community Legal Services, Inc.
1424 Chestnut Street, 4th Fl.
Philadelphia, PA 19102
email: pbertocci@clsphila.org
(Counsel for CEPA, et al.)

Joe Dworetzky, Esq./Matthew Hamermesh, Esq.
Hangley Aronchick Segal & Pudlin
One Logan Square - 27th Fl.
Philadelphia, PA 19103
email: jad@hangley.com
mah@hangley.com
(Counsel for Mid-Atlantic Power Supply)

John L. Munsch, Esq.
Deborah J. Henry, Esq.
Allegheny Power
800 Cabin Hill Drive
Greensburg, PA 15601-1689
email: jmunsch@alleghenyenergy.com
dhenry1@alleghenyenergy.com
(Counsel for Allegheny Power)

Kenneth L. Mickens, Esq.
Pennsylvania Public Utility Commission
Office of Trial Staff
901 North 7th Street, 3rd Fl.
Harrisburg, PA 17102
email mickens@puc.state.pa.us
(Counsel for Office of Trial Staff)

Robert Jaffe, Esq.
City Hall - Room 588
Philadelphia, PA 19107
email: tagranger@aol.com
(counsel for Councilman David Cohen)

Michael Fiorentino, Esq.
105 North Front Street; Suite 106
Harrisburg, PA 17101
email: mfioren@paonline.com
(Counsel for Clean Air Counsel)

John Will Ongman, Esq.
Marc Machlin, Esq.
Pepper Hamilton LLP
600 Fourteenth St., NW
Washington, DC 20005
email: ongmanj@pepperlaw.com
machlinm@pepperlaw.com
(Counsel for Amtrak)

Patricia J. Clark, Esq.
Norbert J. Smith, Esq.
Allegheny Energy Supply Company, LLC
Roseytown
RR 12, Box 1000
Greensburg, PA 15601
email: pclark@alleghenyenergy.com
nsmith2@alleghenyenergy.com
(Counsel for Allegheny Energy)

Patricia McNamara
6048 Ogontz Avenue
Philadelphia, PA 19141
email: cepa1966@aol.com

Christopher J. Townsend, Esq.
Piper Marbury Rudnick & Wolfe
203 N. LaSalle St., #1500
Chicago, IL 60601
email: chris.townsend@piperrudnick.com
(Counsel for New Energy)

John Hall, Esq.
Unruh, Turner, Burke & Frees
17 West Gay Street
West Chester, PA 19381
email: jhall@utbf.com
(Counsel for Wallace Township)

Greg Pastore
619 Pemberton Street
Philadelphia, PA 19147
email: gregpastore@yahoo.com

Carville B. Collins, Esq.
Piper Marbury Rudnick & Wolfe
6225 Smith Ave.
Baltimore, MD 21209-3600
email: carville.collins@piperrudnick.com
(Counsel for New Energy)

Commentors to PECO Energy's Application: A-110550F147:

Glenn Meader
23 Milton Street
Feasterville, PA 19053

Jim McDevitt
310 Hopwood Drive
Warminster, PA 18974-3630

Jon Emery
421 Belle Lane
Harleysville, PA 19438

Honorable Allyson Schwartz
Senate of Pennsylvania
Harrisburg, PA 17130

Dorothy Ferebee
1531 W. Tioga Street, Apt.
Philadelphia, PA 19140

Charles A. Gallagher, Jr.
126 S. Landsdowne Avenue
Landsdowne, PA 19050

John Collins
490 McGregor Drive
West Chester, PA 19380

Charles Cattley
993 N. 7th Street
Allentown, PA 18101

Parties to PECO Energy's Electric Restructuring:

Steven P. Hershey, Esq.
Connolly Epstein Chicco Foxman et al.
1515 Market Street - 9th Floor
Philadelphia, PA 19102-1909

Audrey Van Dyke, Associate Counsel
Naval Facilities Engineering Command
Washington Navy Yard, Building 218, Room 200
901 M Street, S.E.
Washington, DC 20374-5018
(Counsel for Dept. of Navy)

Stephanie A. Sugrue, Esq./ Mary Ann Ralls, Esq.
Shelia Hollis, Esq.
Duane, Morris & Heckscher, LLP
1667 K Street, N.W. - Suite 700
Washington, DC 20006
(Counsel for QST)

Gordon Smith, Esq.
John & Hengerer
1200 17th Street, N.W. - Suite 600
Washington, DC 20036-3006
(Counsel for Electric Clearinghouse, Vastar and Noram Energy)

Michael G. Banta, Esq.
Indianapolis Power & Light Company
One Monument Circle
P.O. Box 1595
Indianapolis, IN 46206-1595
(Counsel for IP&L)

Linda C. Smith, Esq.
Dilworth, Paxson, Kalish & Kauffman
305 North Front Street, Suite 403
Harrisburg, PA 17101
(Counsel for AARP)

Vincent J. Walsh, Jr., Esq.
South Eastern Pennsylvania Transportation Authority
1234 Market Street - Fifth Floor
Philadelphia, PA 19107-378-0
(Counsel for SEPTA)

Susan M. Shanaman, Esq.
212 North Third Street, Suite 203
Harrisburg, PA 17101
(Counsel for CEED)

Ethan Giddings
217 Rodman Avenue
Jenkintown, PA 19046

Roger Clark, Esq.
NESIP 905 Denston Drive
Ambler, PA 19002-3901
(Attorney for Environmentalists)

Michael L. Kessler, VP & General Counsel
American Energy Solutions, Inc.
111 South Alfred Street
Alexandria, VA 22314

Lance S. Haver
6048 Ogontz Avenue
Philadelphia, PA 19141

Joseph J. Malatesta, Jr., Esq.
Lillian Smith Harris, Esq.
Malatesta Hawke & McKeon LLP
Harrisburg Energy Center
100 North Tenth Street - P.O. Box 1778
Harrisburg, PA 17105
(Counsel for Municipal Group)

Usher Fogel, Esq.
Roland, Fogel, Koblenz & Carr, LLP
1 Columbia Place
Albany, NY 12207
(Counsel for Pennsylvania Petroleum Association)

David Desalle, Esq.
Ryan, Russell, Ogden & Seltzer
800 North Third Street, Suite 101
Harrisburg, PA 17102
(Counsel for GPU)

Paul L. Zeigler, Esq.
Zeigler & Zimmerman, PC
355 North 21st Street, Suite 304
P.O. Box 1080
Camp Hill, PA 17011-3707
(Counsel for Delaware Valley Schools Energy/Utility Consortium)

Kenneth Zielonis, Esq.
Stevens & Lee
208 N. 3rd Street - Suite 310
Harrisburg, PA 17108-2090
(Counsel for Pennsylvania Retailers Association)

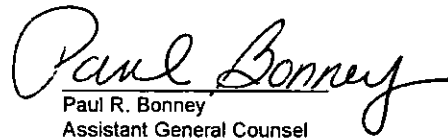
Philip D. McFarren
McFarren Group
Suite 1100, 200 North Third Street
Harrisburg, PA 17101

Craig Goodman
3220 North Street, NW
Suite 338
Washington, DC 20007

Pennsylvania Rural Electric Association
212 Locust Street
Harrisburg, PA 17108

Al Benincasa
Skipping Stone
46 9th Avenue
Sea Cliff, NY 11579

John Earwood
Pennsylvania Department of Aging
555 Walnut Street - 5th Floor
Harrisburg, PA 17101

Handwritten signature of Paul R. Bonney in cursive script.

Paul R. Bonney
Assistant General Counsel
PECO Energy Company
2301 Market Street, S23-1
Philadelphia, PA 19103
(215) 841-4252

Dated: March 24, 2000