



March 28, 2005

Re: Joint Application of Peco Energy Company & Public Service Electric Gas Company for Approval of Merger of Public Service Enterprise Group Incorporated with and into Exelon Corporation; Docket No. A-110550F0160

VIA HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

**DOCUMENT
FOLDER**

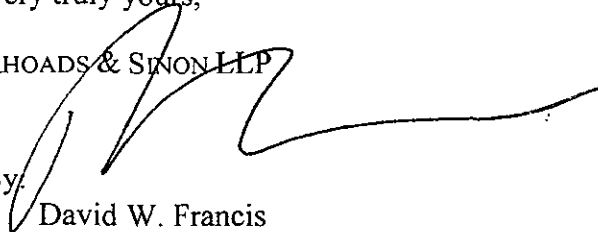
Dear Secretary McNulty:

Enclosed for filing in the above-captioned proceeding are an original and four (4) copies of Amerada Hess Corporation's Prehearing Memorandum. Please time-stamp one copy and return.

I have served a copy of this document on all parties to this proceeding by electronic mail, and will have copies with me at the hearing for any party that wants hard copies.

Very truly yours,

RHOADS & SINON LLP

By: 
David W. Francis

BTL

DWF:sm
Enclosures

cc: Certificate of Service (via e-mail)
Marlane R. Chestnut, Administrative Law Judge (via e-mail)
Jay L. Kooper

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of PECO Energy :
Company and Public Service Electric :
And Gas Company for Approval of the : Docket No. A-110550 F0160
Merger of Public Service Enterprise :
Group Incorporated with and into :
Exelon Corporation :

PREHEARING MEMORANDUM
OF AMERADA HESS CORPORATION

TO ADMINISTRATIVE LAW JUDGE MARLANE R. CHESTNUT:

The Amerada Hess Corporation ("AHC") hereby files this Prehearing
Memorandum in accordance with the Order issued by the Office of Administrative Law
Judge on dated March 17, 2005.

Counsel for AHC are identified as follows:

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I. HISTORY OF PROCEEDING

On February 4, 2005, PECO Energy Company (“PECO”) and Public Service Electric & Gas Company (“PSE&G”) filed a Joint Application with this Commission requesting approval of the merger of Public Service Enterprise Group, Inc. (“PSEG”) (PSE&G’s parent company) with and into Exelon Corporation (“Exelon”). Both of the applicants are regulated by this Commission.

This application was assigned to the Office of Administrative Law Judge (the “OALJ”) for investigation and the scheduling of hearings. On March 17, 2005, presiding Administrative Law Judge issued an Order requiring the submission and distribution of Prehearing Memorandum prior to 12:00 p.m. on March 28, 2005. A Prehearing Conference is scheduled for March 29, 2005.

II. ISSUES WHICH AMERADA HESS INTENDS TO PRESENT

As a general proposition, an application for approval of a merger shall only be granted if, on balance, the Commission determines that such approval is necessary or proper for the service, accommodation, convenience or safety of the public. 66 Pa. C.S. §§1102(a)(3) and 1103(a). Such a determination initially requires a finding of affirmative benefits flowing to the public under the statutory standard. York v. PA PUC, 449 Pa. 136, 295 A.2d 825 (1972). Even with the showing of affirmative benefits, however, if there are offsetting or overriding detriments to the public interest, the application should not be approved.

At this time, AHC has identified the following issues for which it may present evidence and/or testimony:

(A). The proposed merger, if approved, could adversely impact and deprive Pennsylvanians of the benefit of robust competitive retail markets;

(B). That the proposed merger, if approved, could result in the unlawful exercise of market power;

(C). The proposed merger, if approved, must adequately address and/or commit to the following improvements that would provide substantial benefit to the public: (i) ensuring that any establishment or presence of unregulated affiliates with the merged company does not result in anticompetitive or discriminatory conduct as it relates to Pennsylvania's retail electric and natural gas markets; and (ii) utilization of capital by the merged company to invest in upgrades in electric generation, transmission and distribution and natural gas distribution systems.

AHC reserves the right to address additional issues as they arise during discovery and the proceeding.

III. AMERADA HESS PROPOSED WITNESS LIST

AHC anticipates that it may be necessary for it to present brief written testimony from one or two witnesses with respect to the issues identified above. However, because AHC is not yet in possession of the prehearing memoranda from the other intervenors in this matter, nor answers to discovery, it has not determined whether that testimony will be necessary or the identity of those who would provide that testimony on behalf of AHC. Accordingly, and consistent with the OALJ's Order, AHC respectfully reserves the right to supplement its witness list once it has reviewed the prehearing memoranda filed by the other parties, answers to discovery, and additional information has become

available. As soon as AHC has determined that it is necessary to present witnesses, all parties of record will be notified.

IV. SCHEDULE

AHC is prepared to adopt any reasonable schedule which can be agreed upon by the parties.

V. SETTLEMENT

AHC is willing to participate in settlement efforts.

VI. SERVICE ON AMERADA HESS

As set forth above, AHC will be represented in this matter by Rhoads and Sinon.

Hard copies of all documents should be served on AHC and its counsel as follows:

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Electronic copies of all documents should be served on Jay L. Kooper at jkooper@hess.com, Jan P. Paden at jpaden@rhoads-sinon.com, and David W. Francis at dfrancis@rhoads-sinon.com.

Respectfully submitted,

Rhoads & Simon LLP

By: 

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Attorneys for Amerada Hess Corporation

March 28, 2005

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JOINT APPLICATION OF PECO ENERGY :
COMPANY AND PUBLIC SERVICE ELECTRIC :
AND GAS COMPANY FOR APPROVAL OF THE : Docket No. A-110550 F0160
MERGER OF PUBLIC SERVICE ENTERPRISE :
GROUP INCORPORATED WITH AND INTO :
EXELON CORPORATION :

CERTIFICATE OF SERVICE

I certify that on March 28, 2005, I served by electronic mail a copy of Amerada Hess Corporation's Prehearing Memorandum, to the following persons:

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March 28, 2005



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RE: Joint application of PECO Energy Company and Public Service Electric and Gas Company for approval of the merger of Public Service Enterprise Group Incorporated with and into Exelon Corporation.
PUC Docket No. A-110550F0160.

Dear Secretary McNulty:

In accordance with the Public Utility Commission's Rules of Practice and Procedure at 52 Pa. Code § 1.59, please find for filing an original and three copies of the Commonwealth of Pennsylvania, Department of Environmental Protection's Prehearing Memorandum in the above referenced matter. Thank you for your assistance.

Sincerely,

Scott Perry
Assistant Counsel

cc: Certificate of Service
Honorable Marlane Chestnut, PUC ALJ
Irwin Popowsky, Esquire
William Lloyd, Esquire

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enclosure

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COMMONWEALTH OF PENNSYLVANIA
BEFORE THE PUBLIC UTILITY COMMISSION

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JOINT APPLICATION OF PECO :
ENERGY COMPANY AND PUBLIC :
SERVICE ELECTRIC AND GAS :
COMPANY FOR APPROVAL OF THE :
MERGER OF PUBLIC SERVICE :
ENTERPRISE GROUP :
INCORPORATED WITH AND INTO :
EXELON CORPORATION :

Docket No. A-110550F0160

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PREHEARING MEMORANDUM OF THE DEPARTMENT
OF ENVIRONMENTAL PROTECTION

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and in response to the prehearing conference notice and prehearing conference order dated March 17, 2005 issued in the above-captioned matter, the Commonwealth of Pennsylvania, Department of Environmental Protection (the "Department") provides the following information:

DOCKETED
JUL 8 2005

I. INTRODUCTION

On or about February 4, 2005, PECO Energy Company ("PECO") and Public Services Electric and Gas Company ("PSE&G") (collectively the "Joint Applicants") filed their Joint Application for Approval of Merger, to obtain the approval of the Public Utility Commission ("PUC" or "Commission"), if such approvals are required, for the merger of Public Service Enterprise Group Incorporated ("PSEG"), the corporate parent of PSE&G, with and into Exelon Corporation ("Exelon"), the corporate parent of PECO and the ultimate corporate parent of the Joint Applicants.

On March 7, 2005, the Department filed a Petition to Intervene in order to ensure that the Department's interests are adequately represented in this proceeding.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary review of the Application, the Department has identified a number of concerns which it anticipates will be included in its evaluation and analysis of the impact of the proposal and claims associated with this merger. It is anticipated that other issues may arise and may be pursued as a result of discovery conducted by the Department and other parties. Once the Department has received and reviewed all necessary information relevant to the Department's interests, the Department will set forth the specific issues to be addressed in this proceeding and will make specific recommendations through its direct and rebuttal testimony of its witnesses, through cross examination of other parties' witnesses and through legal briefs.

Preliminarily, the Department has identified the following areas of inquiry that require further investigation and respectfully reserves the right to supplement this list:

a. Economic Impacts: The Joint Application includes a discussion of the economic savings resulting from the merger and the impacts of the merger on service, rates, jobs and local communities. The Department will examine the reasonableness of these economic calculations to ensure that the appropriate amount of savings attributed to the merger accrues to the benefit of the public in the form of rate relief or low-income assistance. In addition, the Department will examine the impact of the merger on employees of PECO Energy to ensure that this workforce is not adversely impacted as a result of the merger.

b. Reliability: Executive Order Number 2002-8 of July 18, 2002 declares that ensuring affordable energy supply is critical to the welfare of Pennsylvania's citizens and to the continued economic prosperity of the Commonwealth. It further declares that maintaining a diverse and reliable energy portfolio will be critical to minimizing the effects of any single energy source on Pennsylvania's consumers and maintaining a sustainable supply of energy. In addition, providing a reliable supply of energy for local emergency infrastructure is an important consideration in overall efforts to maintain reliable sources of energy. As the executive agency with the powers and duties of the Pennsylvania Energy Office, the Department is concerned whether the proposed merger will affect its efforts to promote reliable sources of energy, particularly for local emergency infrastructure. The Department is also interested in ensuring that the proposed merger does not diminish the reliability of service to Pennsylvania customers and in fact serves to improve reliability and efficiency.

c. Air Quality Issues: The federal Clean Air Act, 42 U.S.C. §§ 7401-7671q, the Pennsylvania Air Pollution Control Act, 35 P.S. § 4000.1 *et seq.* and the regulations promulgated thereunder establish various requirements to control the emissions of air contaminants that are or will be imposed on certain sources of air pollution such as electricity generating facilities. The Department is the agency with the duty and authority to administer and enforce these statutes and regulations in Pennsylvania. The Joint Applicants own or operate several electricity generating facilities that are or will be subject to these requirements to control the emissions of air contaminants. To mitigate the adverse effects of generation market concentration that combining the generation portfolios of the companies create, the Joint Applicants have proposed a mitigation plan

that involves the divestiture of certain electric generating facilities. The Department is concerned whether the proposed merger or implementation of the proposed mitigation plan will adversely affect compliance with current or anticipated air quality requirements at these electric generating facilities and the health, safety and welfare of the citizens of the Commonwealth.

d. Radiation Protection Issues: The Department has ongoing regulatory powers and duties pursuant to the Low-Level Radioactive Waste Disposal Act, 35 P.S. §§ 7130.101 *et seq.*, and the Appalachian States Low-Level Disposal Compact, 35 P.S. §§ 7125.1 *et seq.* The Joint Applicants are engaged in the business of producing electricity utilizing nuclear energy and are generators of low-level radioactive waste requiring disposal. The Joint Applicants have certain duties and obligations under these statutes that the Department administers. The Department is concerned whether the proposed merger will affect either the Department's implementation of its statutory duties or the Joint Applicants' compliance with their obligations under these state laws.

The Joint Applicants own or operate several nuclear power stations within the states of New Jersey and Pennsylvania that are subject to the Department's radiation protection and nuclear safety surveillance and oversight program established by the Radiation Protection Act, 35 P.S. §§ 7110.101 *et seq.* The Department is concerned whether and how the proposed merger will affect its current program and the related efforts of the Department and other Commonwealth agencies to respond to events at the Joint Applicants' nuclear power stations in the future.

d. Energy Issues:

Renewable Energy: As the primary state agency charged with ensuring Pennsylvania's air quality, the Department has identified the promotion of renewable energy as an important consideration in improving Pennsylvania's air quality. The Department promotes the deployment of renewable energy through financial assistance and regulatory measures including the Pennsylvania Energy Development Authority, the State Energy Plan and the small source NOx set-aside program. The Department is concerned whether the proposed merger will affect its efforts to promote greater use of renewable energy.

Energy Conservation and Efficiency: The Department administers several programs to promote energy conservation and efficiency and the Department is concerned whether the proposed merger will affect these efforts and other Commonwealth efforts to promote energy conservation and efficiency.

III. WITNESSES

At the present time, the Department proposes to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding:

Air Quality Issues
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Chief, Division of Air Information
Bureau Of Air Quality
Department of Environmental Protection
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John Slade
Chief, Division of Permits
Bureau Of Air Quality
Department of Environmental Protection
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Radiation Protection Issues

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Director, Bureau of Radiation Protection
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R. Rich Janati
Program Manager, Division of Nuclear Safety
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Energy Issues, including Reliability

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Eric Thumma
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The Department specifically reserves the right to call additional witnesses as necessary and with the permission of the presiding officer. As soon as the Department has determined whether additional witnesses will be necessary for any portion of its case, all parties of record will be notified.

IV. DISCOVERY

The Department has not yet submitted any discovery requests in this proceeding and is still in the process of formulating such discovery requests. The Department is interested in the possibility of engaging in informal discovery with the Joint Applicants and is prepared to cooperate with the other parties to avoid duplicative discovery requests.

V. SETTLEMENT

The Department anticipates that the parties will engage in settlement discussions once the parties have an opportunity to review discovery and to develop positions raised by the Joint Application. The Department supports establishing a schedule of settlement conferences.

VI. PROPOSED SCHEDULE

Although the Department has not proposed a schedule, the Department is prepared to adopt a schedule that has been agreed upon by the parties and approved by the presiding officer. The Department is aware that several parties have circulated proposed schedules in an effort to develop an agreed upon schedule.

Respectfully submitted,



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Dated: March 28, 2005

COMMONWEALTH OF PENNSYLVANIA
BEFORE THE PUBLIC UTILITY COMMISSION

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SERVICE ELECTRIC AND GAS :
COMPANY FOR APPROVAL OF THE : Docket No. A-110550F0160
MERGER OF PUBLIC SERVICE :
ENTERPRISE GROUP :
INCORPORATED WITH AND INTO :
EXELON CORPORATION :**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the Prehearing Memorandum of the Department of Environmental Protection in the above-captioned matter, was served by pre-paid, First Class United States mail, upon the following:

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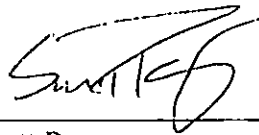
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Dated: March 28, 2005

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CHARLES E. THOMAS
(1913 - 1998)

March 28, 2005

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P. O. Box 3265
Harrisburg, PA 17105-3265

**DOCUMENT
FOLDER**

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2005 MAR 28 AM 11:25
SECRETARY'S BUREAU

In re: Docket No. A-110550F0160
Joint Application of PECO Energy and Public Service Electric and Gas Company

RJP

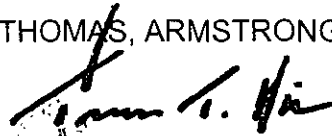
Dear Secretary McNulty:

Enclosed for filing on behalf of Philadelphia Gas Works are an original and three (3) copies of its *Petition to Intervene and Prehearing Conference Memorandum* in the above matter. Copies of the *Petition to Intervene and Prehearing Conference Memorandum* are being served upon the persons and in the manner set forth on the Certificate of Services attached to each. Please enter the appearance of Charles E. Thomas, Jr. and Thomas T. Niesen on behalf of Philadelphia Gas Works in regard to the matter.

Very truly yours,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By



Thomas T. Niesen

Encl.

- cc: Certificate of Service (w/encl.)
- Honorable Marlane R. Chestnut (w/encl.)
- Steven P. Hershey, Esquire (w/encl.)
- Denise Adamucci, Esquire (w/encl.)

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF PECO : Docket No. A-110550F0160
ENERGY COMPANY AND PUBLIC :
SERVICE ELECTRIC AND GAS :
COMPANY FOR APPROVAL OF THE :
MERGER OF PUBLIC SERVICE :
ENTERPRISE GROUP :
INCORPORATED WITH AND INTO :
EXELON CORPORATION :

DOCKETED
JUN 16 2005

PETITION OF
PHILADELPHIA GAS WORKS
TO INTERVENE

**DOCUMENT
FOLDER**

AND NOW, comes Philadelphia Gas Works ("PGW"), by its attorneys, and, pursuant to 52 Pa. Code §5.71, *et seq.*, petitions to intervene in the above captioned proceeding. In support of intervention with full party status, PGW submits the following:

1. The name and address of PGW are:

Philadelphia Gas Works
800 W. Montgomery Avenue
Philadelphia, PA 19122

2. The names and address of PGW's attorneys are:

Charles E. Thomas, Jr., Esquire
Thomas T. Niesen, Esquire
THOMAS, THOMAS, ARMSTRONG & NIESEN
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tniesen@ttanlaw.com
Tel. No. (717) 255-7600
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PGW also asks that copies of all documents be served on:

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Denise Adamucci, Esquire
Philadelphia Gas Works
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Tel. No. (215) 684-6668
Fax No. (215) 684-6628
denise.adamucci@pgworks.com
Tel. No. (215) 684-6745
Fax No. (215) 684-6798

3. On February 4, 2005, PECO Energy Company ("PECO") and Public Service Electric & Gas Company ("PSE&G") filed a Joint Application with the Public Utility Commission ("Commission") seeking Commission approval of the merger of Public Service Enterprise Group, Inc. ("PSEG"), PSE&G's parent company, into Exelon Corporation ("Exelon"), PECO's parent company, or, in the alternative, an order declaring that Commission approvals are not required for the transaction. In Section F of their Joint Application, Joint Applicants aver that benefits of the merger will include diversification, financial strength and flexibility, expanded nuclear operations, sharing of best practices, synergies, commitment to competition, impact of the merger on employees and suppliers and impact on communities served.

4. PGW is a natural gas distribution company and, as a collection of assets owned by the City of Philadelphia, a city natural gas distribution operation under the Natural Gas Choice and Competition Act, Chapter 22 of the Public Utility Code, 66 Pa. C.S. §2201, *et seq.* PGW provides natural gas distribution service within the City of Philadelphia to approximately 510,000 customers, including 420,000 residential heating customers. PGW is the largest natural gas distribution company in the Commonwealth of Pennsylvania.

5. PGW is also a significant customer of PECO Energy with an annual electric expense to PGW that, for the last four years, has averaged more than \$2 million.

6. PGW has interests of such nature in this Joint Application proceeding that its intervention is necessary or proper to the administration of the Public Utility Code. Its interests may be directly affected by this proceeding and, as to those interests, PGW may be bound by the action of the Commission. PGW's interests are not adequately represented by existing participants.

7. PGW's interests in and, indeed, its concerns with, the proposed merger include, but may not be limited to, the following:

- a. The effect of the merger on the price and availability of natural gas pipeline capacity into the Philadelphia region. After the merger, Exelon, through its PECO Energy and PSE&G subsidiary affiliates, will control substantial market power with regard to the natural gas pipeline capacity into the Philadelphia region. PGW is a purchaser of natural gas pipeline capacity into the Philadelphia region and the price and availability of pipeline capacity to serve its customers could be directly affected by the proposed merger.
- b. The effect of the merger on the spot market price of natural gas into the Philadelphia region. After the merger, Exelon, through its PECO Energy and PSE&G subsidiary affiliates, will have sufficient market power to impact the delivery and price of spot market gas into the Philadelphia region. PGW is a significant purchaser of spot market gas.
- c. The effect of the merger on the price of electricity in the Philadelphia region as a result of possible increases in the price of natural gas in the region and for other reasons.
- d. The effect of the merger on the price of electricity to PGW. As a large user of electricity, PGW's electricity costs will be impacted by the merger.
- e. The effect of the merger on the public interest. The impact of the merger on the natural gas supply and distribution market in the Philadelphia region generally and PGW's service territory in particular and, ultimately, retail competition in PGW's service territory must be evaluated.

- f. Whether any substantial benefits will result to the gas and/or electric markets as a result of the proposed merger. As recognized at Paragraph 21 of the Joint Application, the Pennsylvania Supreme Court has held that those seeking approval of a utility merger must demonstrate that the merger "will affirmatively promote the 'service, accommodation, convenience or safety of the public' in some substantial way." *York v. Pa. P.U.C.*, 449 Pa. 136, 295 A.2d 825, 828 (1972). The benefits of the proposed merger to the gas and/or electric markets in the Philadelphia region, if any, are unstated or unclear. The merger may actually be detrimental to the gas and/or electric markets in the Philadelphia region. Most affected could be the substantial number of PGW customers who are middle or lower income customers.

PGW reserves the right to expand its matters of interest and concern as the proceeding evolves.

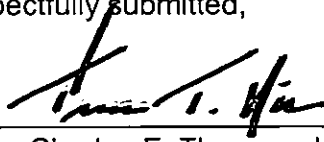
8. PGW acknowledges that it is filing this Petition to Intervene after March 7, 2005, the date fixed for the filing of interventions in the notice published in the *Pennsylvania Bulletin* on February 18, 2005. PGW submits, however, that good cause exists for the Commission to accept its Petition to Intervene. See 52 Pa. Code §5.74. The matter of the Joint Application is already the subject of several other petitions to intervene and the granting of PGW's petition, accordingly, will not delay the orderly progress of the matter. PGW was delayed in the filing of this Petition to Intervene because, as a municipally owned entity, the process culminating in a decision to intervene is complex and time consuming. While PGW's Petition to Intervene raises matters which are not represented by other parties, its intervention will not shift the burden of proof. The burden to prove substantial benefits from the proposed merger remains with the Joint Applicants. See *Re S.T.S. Motor Freight, Inc.*, 54 Pa. P.U.C. 343 (1980).

9. PGW will actively participate in the matter and requests full party status.

WHEREFORE, Philadelphia Gas Works prays that the Pennsylvania Public Utility Commission grant this Petition to Intervene and grant Philadelphia Gas Works full party status in this matter.

Respectfully submitted,

By



Charles E. Thomas, Jr., Esquire
Thomas T. Niesen, Esquire
THOMAS, THOMAS, ARMSTRONG & NIESEN
212 Locust Street, Suite 500
P.O. Box 9500
Harrisburg, PA 17108-9500

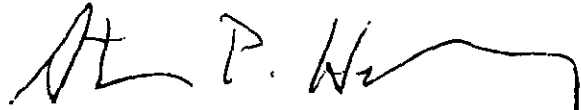
Attorneys for
Philadelphia Gas Works

DATED: March 28, 2005



VERIFICATION

I, Steven P. Hershey, Vice President Community Initiatives, Philadelphia Gas Works, hereby state that the facts set forth in the foregoing Petition to Intervene are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).


Steven P. Hershey
Vice President Community Initiatives



o

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF PECO : Docket No. A-110550F0160
ENERGY COMPANY AND PUBLIC :
SERVICE ELECTRIC AND GAS :
COMPANY FOR APPROVAL OF THE :
MERGER OF PUBLIC SERVICE :
ENTERPRISE GROUP :
INCORPORATED WITH AND INTO :
EXELON CORPORATION :

CERTIFICATE OF SERVICE

I hereby certify that I have this 28th day of March, 2005, served a true and correct copy of the foregoing Petition to Intervene, upon the persons and in the manner set forth below:

BY EMAIL AND FIRST CLASS MAIL

Honorable Marlane R. Chestnut
Administrative Law Judge
Pennsylvania Public Utility Commission
1302 Philadelphia State Office Building
1400 West Spring Garden Street
Philadelphia, PA 19130

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Charis Mincavage, Esquire
McNees, Wallace & Nurick
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Anthony C. DeCusatis, Esquire
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Darlene D. Heep, Esquire
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Scott Perry, Esquire
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Robert V. Eckenrod, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
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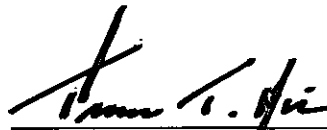
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W. Edwin Ogden, Esquire
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1105 Berkshire Boulevard, Suite 330
Wyomissing, PA 19610-1222



Thomas T. Niesen

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge
Marlane R. Chestnut, Presiding

JOINT APPLICATION OF PECO : Docket No. A-110550F0160
ENERGY COMPANY AND PUBLIC :
SERVICE ELECTRIC AND GAS :
COMPANY FOR APPROVAL OF THE :
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ENTERPRISE GROUP :
INCORPORATED WITH AND INTO :
EXELON CORPORATION :

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PREHEARING CONFERENCE MEMORANDUM OF
PHILADELPHIA GAS WORKS

AND NOW, comes Philadelphia Gas Works ("PGW"), by its attorneys, and submits this memorandum in connection with the Prehearing Conference scheduled to be held in the above captioned matter on March 29, 2005, and in accordance with Administrative Law Judge Marlane R. Chestnut's Prehearing Conference Order dated March 17, 2005.

I. History of Proceeding

This proceeding concerns the Joint Application of PECO Energy Company ("PECO") and Public Service Electric & Gas Company ("PSE&G"), filed February 4, 2005, seeking the approval of the Public Utility Commission ("Commission") for the merger of Public Service Enterprise Group, Inc. ("PSEG"), PSE&G's parent company, into Exelon Corporation ("Exelon"), PECO's parent company, or, in the alternative, an order declaring that Commission approvals are not required for the transaction.

On March 28, 2005, PGW filed a *Petition to Intervene in the proceeding*. PGW is a natural gas distribution company and, as a collection of assets owned by the City of

Philadelphia, a city natural gas distribution operation under the Natural Gas Choice and Competition Act, Chapter 22 of the Public Utility Code, 66 Pa. C.S. §2201, et seq. PGW provides natural gas distribution service within the City of Philadelphia to approximately 510,000 customers, including 420,000 residential heating customers. PGW is the largest natural gas distribution company in the Commonwealth of Pennsylvania.

PGW's address is as follows:

Philadelphia Gas Works
800 W. Montgomery Avenue
Philadelphia, PA 19122

The names and address of PGW's attorneys are:

Charles E. Thomas, Jr., Esquire
Thomas T. Niesen, Esquire
THOMAS, THOMAS, ARMSTRONG & NIESEN
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cthomasjr@ttanlaw.com
tniesen@ttanlaw.com
Tel. No. (717) 255-7600
Fax No. (717) 236-8278

PGW also asks that copies of all documents be served on:

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Denise Adamucci, Esquire
Philadelphia Gas Works
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Philadelphia, PA 19122
steven.hershey@pgworks.com
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Fax No. (215) 684-6628
denise.adamucci@pgworks.com
Tel. No. (215) 684-6745
Fax No. (215) 684-6798

II. The Issues PGW Intends To Present

PGW has made no final determination as to the issues that it plans to litigate, but is reviewing the following issues which are of interest and concern to it in regard to the proposed merger:

- a. The effect of the merger on the price and availability of natural gas pipeline capacity into the Philadelphia region. After the merger, Exelon, through its PECO Energy and PSE&G subsidiary affiliates, will control substantial market power with regard to the natural gas pipeline capacity into the Philadelphia region. PGW is a purchaser of natural gas pipeline capacity into the Philadelphia region and the price and availability of pipeline capacity to serve its customers could be directly affected by the proposed merger.
- b. The effect of the merger on the spot market price of natural gas into the Philadelphia region. After the merger, Exelon, through its PECO Energy and PSE&G subsidiary affiliates, will have sufficient market power to impact the delivery and price of spot market gas into the Philadelphia region. PGW is a significant purchaser of spot market gas.
- c. The effect of the merger on the price of electricity in the Philadelphia region as a result of possible increases in the price of natural gas in the region and for other reasons.
- d. The effect of the merger on the price of electricity to PGW. As a large user of electricity, PGW's electricity costs will be impacted by the merger.
- e. The effect of the merger on the public interest. The impact of the merger on the natural gas supply and distribution market in the Philadelphia region generally and PGW's service territory in particular and, ultimately, retail competition in PGW's service territory must be evaluated.
- f. Whether any substantial benefits will result to the gas and/or electric markets as a result of the proposed merger. As recognized at Paragraph 21 of the Joint Application, the Pennsylvania Supreme Court has held that those seeking approval of a utility merger must demonstrate that the merger "will affirmatively promote the 'service, accommodation, convenience or safety of the public' in some substantial way." *York v. Pa. P.U.C.*, 449 Pa. 136, 295 A.2d 825, 828 (1972). The benefits of the proposed merger to the gas and/or electric markets in the Philadelphia region, if any, are unstated or unclear. The merger may actually be detrimental to the gas and/or electric markets in the Philadelphia region. Most affected could be the substantial number of PGW customers who are middle or lower income customers.

PGW reserves the right to expand its matters of interest and concern as the proceeding evolves.

III. Witnesses and Subject of Testimony

PGW anticipates presenting one witness who will address the issues of interest and concern identified above. As of the filing of this Prehearing Conference Memorandum, PGW has not identified and cannot identify the witnesses it ultimately may present at hearing. PGW respectfully reserves the right to present additional witnesses as this matter develops. PGW will notify the parties of additional witnesses in a timely fashion.

IV. Other Matters

Schedule and Discovery

PGW has not completed its review of the Joint Application and attachments. PGW anticipates service of discovery after that review is completed. PGW will work with Judge Chestnut and the other participants to create a procedural schedule for the matter.

Settlement

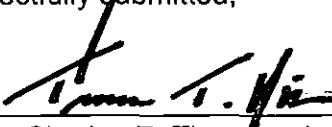
PGW is willing to participate in discussions with the other participants to attempt to resolve this matter through amicable settlement.

Status

PGW will be an active participant in this matter.

Respectfully submitted,

By



Charles E. Thomas, Jr., Esquire
Thomas T. Niesen, Esquire
THOMAS, THOMAS, ARMSTRONG & NIESEN
212 Locust Street, Suite 500
P.O. Box 9500
Harrisburg, PA 17108-9500

Attorneys for
Philadelphia Gas Works

DATED: March 28, 2005



**Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**JOINT APPLICATION OF PECO : Docket No. A-110550F0160
ENERGY COMPANY AND PUBLIC :
SERVICE ELECTRIC AND GAS :
COMPANY FOR APPROVAL OF THE :
MERGER OF PUBLIC SERVICE :
ENTERPRISE GROUP :
INCORPORATED WITH AND INTO :
EXELON CORPORATION :**

CERTIFICATE OF SERVICE

I hereby certify that I have this 28th day of March, 2005, served a true and correct copy of the foregoing Prehearing Conference Memorandum, upon the persons and in the manner set forth below:

BY EMAIL AND FIRST CLASS MAIL

Honorable Marlane R. Chestnut
Administrative Law Judge
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1302 Philadelphia State Office Building
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Thomas T. Niesen

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RYAN, RUSSELL, OGDEN & SELTZER LLP

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SUITE 101
800 NORTH THIRD STREET
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17102-2025
TELEPHONE: (717) 236-7714
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March 28, 2005

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MAR 28 2005

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Via UPS Overnight

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, Pennsylvania 17120

Re: Joint Application of PECO Energy Company and Public Service Electric
and Gas Company for Approval of the Merger of Public Service
Enterprise Group Incorporated with and into Exelon Corporation
Docket No. A-110550F0160

Dear Secretary McNulty:

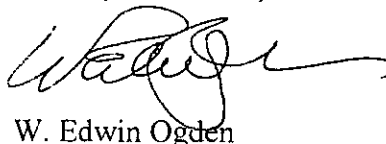
Enclosed please find an original and two (2) copies of the Prehearing Memorandum on behalf of the FirstEnergy Companies in the above-referenced matter. This document is being served upon all parties of record as per the attached Certificates of Service.

If you have any questions, please contact me.

DOCUMENT
FOLDER

Very truly yours,

RYAN, RUSSELL, OGDEN & SELTZER LLP



W. Edwin Ogden

Enclosures
WEO:jab

BTL

c: As per Certificates of Service

ORIGINAL RECEIVED

MAR 28 2005

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Joint Application of PECO Energy :
Company and Public Service Electric :
and Gas Company for Approval of : Docket No. A-110550F0160
the Merger of Public Service Enterprise :
Group Incorporated with and into :
Exelon Corporation :

**DOCUMENT
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PREHEARING MEMORANDUM OF FIRSTENERGY COMPANIES

Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power") and FirstEnergy Solutions, Corp. ("FES"), herein referred to collectively as the "FirstEnergy Companies", through their attorneys, hereby submit this Prehearing Memorandum in connection with the Prehearing Conference scheduled in the above-captioned matter before Administrative Law Judge Marlane R. Chestnut ("ALJ") for March 29, 2005.

A. Introduction

1. The above-captioned proceeding was initiated by the filing, on February 4, 2005, of a Joint Application of PECO Energy Company and Public Service Electric and Gas Company for Approval of the Merger of Public Service Enterprise Group Incorporated with and into Exelon Corporation ("Joint Application"). Notice of the filing was published in the Pennsylvania Bulletin, Vol. 35, No. 8, February 19, 2005.

2. The FirstEnergy Companies are all affiliates of FirstEnergy Corp., a diversified energy services holding company headquartered in Akron, Ohio. Its

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seven electric utility operating companies comprise the nation's fifth largest investor-owned electric system, serving 4.3 million customers within 36,100 square miles of Ohio, Pennsylvania and New Jersey. Further details concerning the FirstEnergy Companies were provided in their Petition to Intervene, filed March 11, 2005, which also documents their interest in this proceeding and their eligibility to intervene, and requests active party status for the FirstEnergy Companies.

3. Requests to intervene also were filed by the Office of Consumer Advocate, this Commission's Office of Trial Staff, the Office of Small Business Advocate, the Department of Environmental Protection, the PPL Companies, several energy user groups, labor parties, energy suppliers and others.

4. Legal counsel for the FirstEnergy Companies are:

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(610) 372-4761
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Stephen L. Feld, Esquire
FirstEnergy Service Company
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(330) 384-4573
felds@firstenergycorp.com

B. Issues and Evidence

5. The FirstEnergy Companies cannot at this time determine what issues or sub-issues they may need to address. Their decision to seek intervention was based on their review of the filing and the requested interventions by others that may


raise issues, or take positions on issues, that could differ from or could be inconsistent with the positions the FirstEnergy Companies would take. Due to the possible breadth of this proceeding, the requested participation by a variety of others raising issues that could potentially impact the FirstEnergy Companies, and the possible extent to which decisions in this case on various issues may be applied to other proceedings, the FirstEnergy Companies have concluded that their intervention is required to protect their interests. Among the issues raised by other parties' intervention requests are: whether (or the extent to which) this Commission's approval of the merger is required by law; what interests of others (including labor, energy users, energy providers and energy suppliers) are entitled to consideration, in what manner and to what extent; and whether (or to what extent) competitive market concerns need to be addressed.

6. The FirstEnergy Companies are prepared to participate in this proceeding in a manner that does not interfere with the prompt adjudication of the case. However, the FirstEnergy Companies are unable at this time, until further information is developed, to determine the full extent of their participation or designate their witnesses. The FirstEnergy Companies respectfully reserve the right to submit both direct and rebuttal testimony in the event that they determine that such evidence is necessary or appropriate to protect or advance their interests.

7. If the FirstEnergy Companies identify issues they need to address as the proceeding evolves, they will promptly so notify the ALJ and the other parties, and identify the witness(es) they intend to present.

8. The FirstEnergy Companies will cooperate in setting a procedural schedule, and in otherwise participating in a manner consistent with a timely completion of this proceeding.

Dated: March 28, 2005



W. Edwin Ogden

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(610) 372-4761

Attorneys for Pennsylvania Power Company,
Metropolitan Edison Company, Pennsylvania
Electric Company and FirstEnergy Solutions,
Corp.

ORIGINAL

MAR 28 2005

PENNSYLVANIA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of PECO Energy :
Company and Public Service Electric :
and Gas Company for Approval of : Docket No. A-110550F0160
the Merger of Public Service Enterprise :
Group Incorporated with and into Exelon :
Corporation :

CERTIFICATE OF SERVICE

I hereby certify that I have served this day a copy of FirstEnergy Companies' Prehearing Memorandum upon the persons and in the manner indicated below in accordance with the requirements of 52 Pa. Code § 1.54.

Service by UPS Overnight, postage prepaid, addressed as follows:

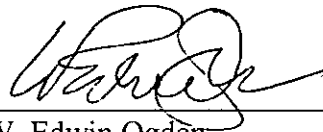
ALJ Marlane R. Chestnut
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Dated: March 25, 2005



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Electric Company and FirstEnergy Solutions,
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ORIGINAL RECEIVED

MAR 28 2005

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Joint Application of PECO Energy :
Company and Public Service Electric :
and Gas Company for Approval of : Docket No. A-110550F0160
the Merger of Public Service Enterprise :
Group Incorporated with and into Exelon :
Corporation :

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of FirstEnergy Companies' Prehearing Memorandum upon the persons and in the manner indicated below in accordance with the requirements of 52 Pa. Code § 1.54.

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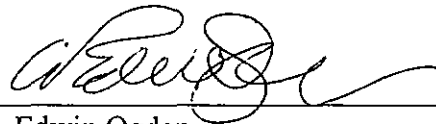
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Dated: March 28, 2005



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March 28, 2005

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA HAND DELIVERY

RE: Joint Application of PECO Energy Company and Public Service Electric & Gas Company for Approval of the Merger of Public Service Enterprise Group, Inc., with and into Exelon Corporation; Docket No. A-110550F0160

Dear Secretary McNulty:

Enclosed for filing with the Commission are the original and three (3) copies of the City of Philadelphia's ("City") Prehearing Memorandum in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Please date stamp the extra copy of this transmittal letter and kindly return it for our filing purposes.

BTL

Very truly yours,

McNEES WALLACE & NURICK LLC

By *David M. Kleppinger*
David M. Kleppinger
Charis Mincavage

Counsel to the City of Philadelphia

DOCUMENT
FOLDER

CM/lhe
Enclosures

c: Administrative Law Judge Marlane Chestnut (via e-mail and federal express)
Certificate of Service

SECRETARY'S BUREAU

2005 MAR 28 AM 11:10

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94

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCUMENT
FOLDER

In Re: JOINT APPLICATION OF
PECO ENERGY COMPANY AND
PUBLIC SERVICE ELECTRIC AND
GAS COMPANY FOR APPROVAL
OF THE MERGER OF PUBLIC SERVICE
ENTERPRISE GROUP INCORPORATED
WITH AND INTO EXELON CORPORATION,
THE PARENT OF PECO ENERGY COMPANY :

DOCKET NO.
A-110550 F0160

SECRETARY'S BUREAU

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DOCKETED
JUL 8 2005

PREHEARING MEMORANDUM OF THE CITY OF PHILADELPHIA

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

The City of Philadelphia ("City") files this prehearing memorandum in accordance with the March 17, 2005 order of Administrative Law Judge Marlane R. Chestnut.

A. History of the Proceeding

1. Joint Applicants, PECO Energy Company ("PECO") and Public Service Electric & Gas Company ("PSE&G") (together, the "Applicants") filed a Joint Application for Approval of Merger on February 4, 2005. The Applicants request that the Pennsylvania Public Utility Commission ("PUC") approve the merger of Public Service Enterprise Group, Inc. ("PSEG"), PSE&G's parent company, into Exelon Corporation ("Exelon"), PECO's parent company.

2. On March 7, 2005, the City, a corporation and body politic organized and existing as a city of the first class under the laws of the Commonwealth of Pennsylvania and the Philadelphia Home Rule Charter, filed a Petition to Intervene.

B. Issues the City May Raise

3. In general, the City intends to raise issues affecting the cost, quality, and environmental effect of electric and gas service should the merger go forward as planned. The City will ask the Public Utility Commission to consider all evidence, both positive and negative, and render a decision that will adequately protect and advance the interests of the public, including the City and those who live, work, and/or do business here.

4. The City generally supports synergy savings, so long as the merged company directs an appropriate portion of those savings to the public, including the City, and so long as the PUC and other regulatory authorities take care to protect the City and the public against

higher prices and poorer service in the long term. The City has not yet determined whether it will support or oppose the merger, with or without modifications.

5. The City is preliminarily concerned about PECO's proposal to sell or enter into long-term leases of electric generating capacity. The details may well determine whether this proposal would be pro-competitive and in the public interest.

6. PECO's transmission infrastructure is aging in certain locations. Center City Philadelphia has experienced two significant power outages recently. Any merger approval should require specific commitments and assurances concerning reliability, such that in the search for "synergy savings," PECO will not adopt practices of other Exelon subsidiaries that may have spared too much expense on maintenance, repair, and replacement.

7. PECO and Exelon have stated in their petition and in merger-related publicity that they will maintain their substantial presence in the cities and communities they service, and a strong presence in Philadelphia, including PECO's headquarters. PECO and Exelon have also publicly acknowledged that approximately 1400 positions will be eliminated through the merger, however, and have not yet made binding commitments to maintain headquarters and specific employment levels, including field forces, without disproportionate reduction in Philadelphia and in Pennsylvania. The City may testify to the public interest in long-term, binding commitments.

8. The City may want to test PECO's commitment to share and implement best practices of PSE&G as well as current Exelon subsidiaries. For example, the City understands that PSE&G's practices in the areas of energy efficiency, Energy Star Homes, and clean energy may provide a good model for improvements for PECO.

9. To serve the public interest, the PUC should ensure that PECO will continue and enhance adequately funded and properly administered universal service programs.

10. PECO and Exelon have stated in their petition and in merger-related publicity that they will sustain their record of charitable giving, community involvement and promotion of economic development. In order to verify and strengthen these commitments, the City may testify to PECO's current and recent practices. City witnesses may also have some specific proposals for enhanced giving and/or for the use of synergy savings that are not applied to rate caps or rate reductions.

C. Witnesses and Subject of Testimony

11. It is not possible for the City at this time to identify every witness it may present at evidentiary hearings in this matter. Experts, if any, will be retained later; and the City may call more or fewer witnesses depending on whether other parties sufficiently raise and support certain concerns and on how the merger proposal is developed and modified. However, it is likely that the City's witnesses on some or all of the above points will include at least some of the following individuals (or their subordinates), all of which are currently employees of the City. Listed are the positions it is expected these persons will fill at the time of their testimony, if any:

- a. Kent R. Miller, Executive Director, Municipal Energy Office.
- b. Michelle Knapik, Director of Energy Policy.
- c. Lance Haver, Director, Mayor's Office of Consumer Affairs.
- d. Stephanie Naidoff, City Representative and Director of Commerce.
- e. Maxine Griffith, Secretary for Strategic Planning and Executive Director, City Planning Commission.
- f. Patricia L. Smith, Director, Neighborhood Transformation.
- g. Joyce S. Wilkerson, Chief of Staff to Mayor John F. Street.
- h. Pedro A. Ramos, Managing Director (designee).
- i. Dianne Reed, Budget Director and Deputy Director of Finance.
- j. Bernard B. Brunwasser, Water Commissioner.
- k. Charles Isdell, Director of Aviation.

The City reserves the right to modify and supplement the above on a reasonably timely basis during the pendency of these proceedings.

D. Proposed Schedule and Discovery

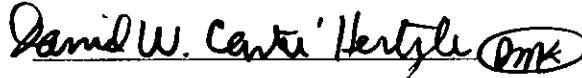
The City has not yet proffered any discovery requests, as the City is still in the process of reviewing PECO's filing. The City is willing to work with the other parties and ALJ Chestnut in an attempt to formulate a procedural schedule, including scheduling and rules for discovery, that will ensure the substantive and procedural rights of all parties.

E. Settlement

The City is willing to participating in discussions with the other parties to resolve the issues in this proceeding amicably.

Respectfully submitted,

THE CITY OF PHILADELPHIA
OFFICE OF THE CITY SOLICITOR



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Date: March 28, 2005

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

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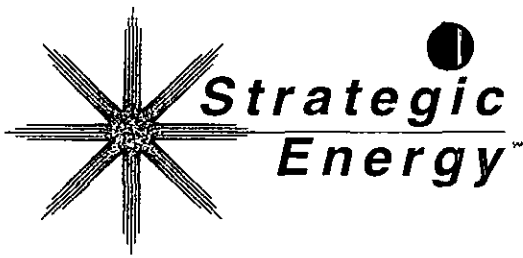
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Philadelphia, PA 19106-1591


David M. Kleppinger

Dated this 28th day of March, 2005 in Harrisburg, Pennsylvania.



S t r a t e g i c E n e r g y L L C

Two Gateway Center, Pittsburgh, PA 15222
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March 28, 2005

The Honorable Marlene R. Chestnut
Presiding Administrative Law Judge
1400 West Spring Garden Street
1302 Philadelphia State Office Building
Philadelphia, Pennsylvania 13190

DOCUMENT
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✓ James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
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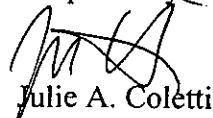
**Re: Joint Application of PECO Energy Company and
Public Service Electric and Gas Company for
Approval of the Merger of Public Service Enterprise
Group Incorporated with and into Exelon Corporation
Docket No. A-110550F0160**

Dear Judge Chestnut and Secretary McNulty:

Enclosed for filing in the above-captioned proceeding are an original and three (3) copies of Strategic Energy, LLC's Prehearing Memorandum.

I have served a copy of this document via email and regular mail on all parties to this proceeding, as shown on the attached Certificate of Service.

Respectfully submitted,


Julie A. Coletti

BTL

Enclosures

cc: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED

2005 MAR 30 AM 10:17

SECRETARY'S BUREAU

JOINT APPLICATION OF PECO :
ENERGY COMPANY AND PUBLIC :
SERVICE ELECTRIC AND GAS :
COMPANY FOR APPROVAL OF THE :
MERGER OF PUBLIC SERVICE :
ENTERPRISE GROUP :
INCORPORATED WITH AND INTO :
EXELON CORPORATION :

DOCKET NO. A-110550 F0160

DOCUMENT
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DOCKETED
JUL 8 2005

PREHEARING CONFERENCE MEMORANDUM
OF STRATEGIC ENERGY, LLC

As directed by Administrative Law Judge Marlane R. Chestnut in the Prehearing Conference Order dated March 17, 2005, Strategic Energy, LLC hereby submits this Prehearing Conference Memorandum in the above-captioned proceeding involving the Joint Application of PECO Energy Company ("PECO") and Public Service Electric and Gas Company ("PSE&G") (collectively, the "Joint Applicants") for approval of the merger of Public Service Enterprise Group Incorporated ("PSEG"), the corporate parent of PSE&G, with and into Exelon Corporation ("Proposed Merger"):

1. History of Proceeding.

On February 4, 2005, PECO and PSE&G filed a Joint Application asking the Commission to issue a declaratory order to the merger of their corporate parents, PSEG and Exelon Corporation, that does not require approval under Chapters 11, 22 and 28 of the Public Utility Code of Pennsylvania, or in the alternative, that the Commission grant such approvals as are necessary to permit the proposed merger to be consummated. The Joint Applications

included the written testimony of witnesses in support of the filing, including the testimony William H. Hieronymus addressing the impact of the proposed merger on competition. On February 18, 2005, a notice of the proposed Merger was published in the Pennsylvania Bulletin requiring interested parties to file protests and motions to intervene on or before March 7, 2005.

In response to the February 18, 2005 notice, several parties filed notices or motions to intervene in the proceeding, including Strategic Energy, LLC, which filed a Protest and Motion to Intervene in this proceeding on March 11, 2005. On March 24, 2005, the Joint Applicant's filed an unverified Answer to Strategic's Protest and Petition to Intervene containing false statements of fact. Assuming Joint Applicants do not voluntarily agree to withdraw the Answer, Strategic will be filing a Motion to Strike the Joint Applicant's filing.

On March 17, 2005, ALJ Chestnut issued an order scheduling a prehearing conference in this proceeding for March 29, 2005 and directing the parties to submit a pre-hearing memorandum by 12:00 p.m. on March 28, 2005.

2. Issues to Be Addressed.

Strategic Energy, LLC intends to address the impact that the Proposed Merger will have on the proper functioning of a competitive wholesale electricity market in the region in which Pennsylvania is located and of a competitive retail electricity market in Pennsylvania. Among other things, Strategic may address the following matters: (1) the relationship between the wholesale market impacts of the Proposed Merger and the proper functioning of a fully competitive Pennsylvania retail electricity market; (2) whether the divestitures proposed by the Joint Applicants are adequate to mitigate the potential anticompetitive effects of the Proposed Merger; (3) the impact that the Joint Applicants' proposal would have on the cost of energy and capacity, together with congestion, unless Joint Applicants' market power is mitigated; (4) the

impact that Joint Applicants' proposal would have on an EGS' ability to acquire energy within PJM and to supply low cost power to commercial and industrial customers within the PECO service territory; (5) the impact of Joint Applicants' combined computer systems interface with an EGS in areas such as the provision of expeditious access to quality customer data, including interval data and the Electronic Data Interchange process; (6) the impact of Joint Applicant's generation market power, especially in off-peak periods of time considering the capacity of Joint Applicant's fleet of nuclear plants; (7) the risk of Affiliate Abuse presented by Joint Applicant's proposal; and (8) the future plans, if any, for any retail arm of Joint Applicant's (such as Exelon Energy Company) in Pennsylvania.

3. Witnesses/Testimony.

Strategic Energy, LLC has not decided whether to present testimony at this time. If it elects to present testimony, Strategic may present the testimony of Brian Vayda, Strategic's Manager of Regulatory Affairs for Pennsylvania. Mr. Vayda, a former employee of the PJM Interconnection, LLC, is familiar with the Pennsylvania retail electricity market, PJM Interconnection, LLC, the PJM transmission system, the operation of wholesale electricity markets in PJM, and the relationship of the PJM wholesale electricity market to the Pennsylvania retail electricity market. Strategic may also present the testimony of Michael Swider, Director of Regulatory Affairs for Strategic Energy, LLC. Strategic reserves the right to present the testimony of additional and different Strategic Energy employees or of other expert witnesses who are also familiar with these issues. Among other things, Strategic may present testimony on the proper functioning of a competitive wholesale electric electricity market in the region in which Pennsylvania is located and the potential impact of the proposed Merger on a fully competitive Pennsylvania retail electricity market.

4. Settlement Discussions.

At this time, Strategic has not participated in and is not aware of any settlement discussions. However, Strategic is willing to attend and participate in any such discussions.

5. Discovery.

Strategic has not yet submitted any discovery requests in this proceeding, and is still in the process of formulating such discovery requests. Strategic is prepared to cooperate with the other parties to avoid duplicative discovery requests.

6. Service and Telephonic Participation in Proceedgin.

Strategic suggests the establishment of an electronic service list to allow the electronic submission of discovery requests, discovery responses and any pleadings that may be submitted in this proceeding. Strategic understands that if an electronic service list is established, a hard copy of all documents must still be served on the Administrative Law Judge consistent with Paragraph 4 of the Administrative Law Judge's Prehearing Conference Order. Strategic suggests allowing participants and counsel to participate in any conferences or hearings conducted by the ALJ regarding this docket by telephone. Of course, those participants and counsel who elect to do so would assume risks associated with their election to participate by phone rather than in person attendance.

7. Hearings.

Consistent with the proposed procedural schedule provided below, Strategic suggests one week of evidentiary hearings, reserving an additional week for further testimony, if necessary.

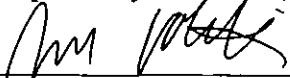
8. Procedural Schedule.

In order to facilitate the process of developing a procedural schedule, Strategic accepts the following schedule proposed by PPL:

	Date	Interval
Pre-hearing conference	March 29, 2005	
Informal Discovery Conference with Joint Applicants' witnesses	April 12, 2005	14
Intervenor and PUC Trial Staff Direct testimony	June 7, 2005	56
Conference to explore possibility of settlement	June 14, 2005	7
Intervenor/Trial Staff cross-answering testimony	July 5, 2005	21
Joint Applicants Rebuttal Testimony to intervenor and Trial Staff testimony	August 2, 2005	28
Intervenor/Trial Staff surrebuttal Testimony	August 30, 2005	28
Exchange proposed joint stipulation of issues	September 20, 2005	21
Last day for discovery requests	September 27, 2005	7
Final Joint Stipulation of Issues	October 3, 2005	6
Hearing commences (assumes 2 week of hearing)	October 18, 2005	15
Simultaneous initial briefs – all parties	November 21, 2005	34
Simultaneous reply briefs – all parties	December 12, 2005	21

March 28, 2005

Respectfully submitted,




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PA Attorney ID 69287

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of PECO Energy Company :
and Public Service Electric and Gas Company :
for Approval of the Merger of :
Public Service Enterprise Group Incorporated :
with and into Exelon Corporation : Docket No. A-110550F0160

Certificate of Service

I hereby certify that on March 28, 2005, I served a copy of the foregoing document upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):



Julie A. Coletti

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March 28, 2005

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA HAND DELIVERY

RE: Joint Application of PECO Energy Company and Public Service Electric & Gas Company for Approval of the Merger of Public Service Enterprise Group, Inc., with and into Exelon Corporation; Docket No. A-110550F0160

Dear Secretary McNulty:

Enclosed for filing with the Commission are the original and three (3) copies of Philadelphia Area Industrial Energy Users Group's ("PAIEUG") Prehearing Memorandum in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Please date stamp the extra copy of this transmittal letter and kindly return it for our filing purposes.

BTL

Very truly yours,

McNEES WALLACE & NURICK LLC

By *David M. Kleppinger*
David M. Kleppinger
Charis Mincavage

Counsel to Philadelphia Area Industrial
Energy Users Group

DOCUMENT
FOLDER

CM/lhe

Enclosures

c: Administrative Law Judge Marlane Chestnut (via e-mail and federal express)
Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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JOINT APPLICATION OF PECO ENERGY :
COMPANY AND PUBLIC SERVICE :
ELECTRIC & GAS COMPANY FOR :
APPROVAL OF THE MERGER OF :
PUBLIC SERVICE ENTERPRISE :
GROUP, INC., WITH AND INTO :
EXELON CORPORATION :

DOCKET NO. A-110550F0160

DOCUMENT
FOLDER

**PREHEARING MEMORANDUM OF THE
PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP**

As requested by Administrative Law Judge Marlane Chestnut ("ALJ Chestnut") in her Prehearing Conference Order of March 17, 2005, the Philadelphia Area Industrial Energy Users Group ("PAIEUG") hereby submits this Prehearing Memorandum.

I. HISTORY OF THE PROCEEDING

On February 4, 2005, PECO Energy Company ("PECO" or "Company") and Public Service Electric & Gas Company ("PSE&G") filed a Joint Application with the Pennsylvania Public Utility Commission ("PUC" or "Commission") requesting approval of the merger of Public Service Enterprise Group, Inc. ("PSEG"), PSE&G's parent company, into Exelon Corporation ("Exelon"), PECO's parent company (jointly, "Companies"). The proposed transaction contemplates PSEG merging with Exelon, resulting in Exelon becoming the ultimate parent of PECO and PSE&G. PECO asserts that the merger will in no way diminish PECO's aggressive pursuit of service excellence, but rather, will provide benefit to PECO customers through the creation of a premiere utility serving seven million electric and two million natural gas customers.

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JUL 8 2005

On February 16, 2005, PAIEUG filed a Petition to Intervene in this proceeding. PAIEUG was a party to previous proceedings involving PECO, and a description of PAIEUG is set forth in Paragraph 4 of PAIEUG's Petition to Intervene in this proceeding. PAIEUG's Petition to Intervene is outstanding and awaits ALJ disposition.

II. ANTICIPATED ISSUES AND SUB-ISSUES

Generally, PAIEUG members use substantial volumes of electricity and natural gas, and a number of issues regarding the proposed merger concern and may directly impact the interest of PAIEUG members. The following is a preliminary list of potential issues to be examined by PAIEUG.

- a. How the proposed merger will effect retail electric and natural gas competition and the retail electric and natural gas markets in the Commonwealth of Pennsylvania;
- b. How the proposed merger will effect electric transmission and distribution service rates;
- c. How the proposed merger will effect PECO's nuclear decommissioning cost adjustment surcharge;
- d. What the potential affects of the market power resulting from the proposed merger will be on the electricity markets;
- e. Whether the mitigation measures proposed by the Companies to offset the potential market power impact is adequate in light of the fact that Exelon would control 29% of the total generation capacity in PJM after the merger;
- f. Whether the Companies' proposal to rely mainly on "virtual divestiture" as the mitigation plan is adequate in light of the fact that virtual divestiture is untested and unprecedented;
- g. Whether the Company's significant reliance on PJM's Market Monitoring Unit is appropriate in light of the fact that PJM's monitoring and mitigation regime is based upon a questionable and immature market model methodology;
- h. Whether the calculation of the anticipated savings created by the synergy of the merger, and the manner in which the realized savings would be appropriated among customers, is just reasonable and non-discriminatory;

- i. Whether the merged entity's utilization of interstate gas pipeline capacity for both retail natural gas supply service and for fueling its electric generation can be utilized to limit electric and gas competition or to increase clearing prices for electricity in a locational marginal priced ("LMP") market where gas fired generation is frequently at the margin; and
- j. What effects the merger will have on the terms and conditions of PECO's electric restructuring and natural gas restructuring settlements, which were entered into pursuant to the Electricity Generation Customer Choice and Competition Act and the Natural Gas Choice and Competition Act.

PAIEUG reserves the right to raise further issues as necessary and appropriate during the course of the proceeding and to respond to issues raised by other parties.

III. PROPOSED WITNESSES

PAIEUG tentatively expects to sponsor testimony regarding the aforementioned issues by the following witnesses:

- (a) Stephen J. Baron of J. Kennedy and Associates, Inc.; and
- (b) Lane Kollen of J. Kennedy and Associates, Inc.

PAIEUG reserves the right to modify or supplement this witness list during the course of this proceeding. In the event that PAIEUG decides to modify or supplement its witness list, PAIEUG will inform the parties and the ALJ as soon as possible of the intended witnesses. PAIEUG also intends to participate in this proceeding through the submission of discovery, cross-examination of other parties' witnesses, and the submission of briefs, exceptions and reply exceptions, if necessary.

IV. PROPOSED SCHEDULE AND DISCOVERY

At this point in time, PAIEUG has not yet proffered any discovery requests; however, PAIEUG is still in the process of reviewing PECO's filing and evaluating possible discovery requests. PAIEUG is willing to work with the other parties and ALJ Chestnut in an attempt to

formulate a procedural schedule, including scheduling and rules for discovery, which will ensure all parties' due process rights are adequately addressed.

V. SETTLEMENT

PAIEUG is willing to participate in discussions with the other parties to amicably resolve the issues in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

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Counsel to the Philadelphia Area Industrial
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Dated: March 28, 2005

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

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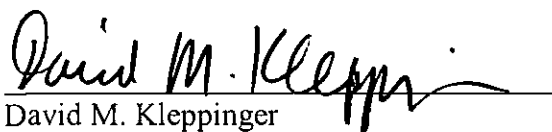
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David M. Kleppinger

Dated this 28th day of March, 2005 in Harrisburg, Pennsylvania.

OALJ Hearing Report

Please Check Those Blocks Which Apply

Docket No.:	A-110550F0160		YES	NO
		Prehearing Held:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Case Name:	Joint Application of PECO Energy Company & Public Service Electric Gas Company	Hearing Held:	<input type="checkbox"/>	<input type="checkbox"/>
		Testimony Taken:	<input type="checkbox"/>	<input type="checkbox"/>
		Transcript Due:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Hearing Concluded:	<input type="checkbox"/>	<input type="checkbox"/>
Location:	Philadelphia, PA	Further Hearing Needed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Estimated Add'l Days:		
Date:	March 29, 2005	RECORD CLOSED:	<input type="checkbox"/>	<input type="checkbox"/>
ALJ:	Marlane R. Chestnut	DATE:		
		Briefs to be Filed:	<input type="checkbox"/>	<input type="checkbox"/>
Reporting Firm:	Sargents Court Reporting Service, Inc.	DATE:		
		Bench Decision:	<input type="checkbox"/>	<input type="checkbox"/>
<p><i>please schedule hearing - in Phila - 1st day at 10, rest at 9:00 Aug 23 - Sept 2, 2005</i></p> <p><i>need expedited - 3 day transcript - Also - I need them electronically Thanks</i></p>		REMARKS:	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> RECEIVED APR 06 2005 </div>	

PLEASE PRINT CLEARLY - Incomplete Information may result in delay of processing.

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