



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

July 15, 2005

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

DOCKETED
SEP 21 2005

Docket No. A-110550F0160

**DOCUMENT
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To All Parties of Record:

On July 1, 2005, the FERC issued an order approving the proposed merger of Exelon and PSEG Holdings, subject to certain conditions. This proposed merger, now pending before this Commission and several of other regulatory agencies, appears to pose a risk and perhaps an opportunity for the Commonwealth.

On first contemplating this proposed merger, a number of questions and possible outcomes occur to those of us charged with the stewardship of the public interest. In the past, regulators have occasionally had questions or issues that they would like to be addressed but were not addressed when the case, with its completed record, was presented as ripe for Commission decision.

This presents the regulator with awkward choices: either set aside and forget initial questions and concerns, or, with extreme waste of Commission time and resources, remand the matter for further development of the record to address those concerns.

To avoid this dilemma, Commissioners in the past have posed questions at the beginning of the proceeding for the parties and the presiding ALJ to address. The ALJ is then asked, in his or her deliberations, to make recommendations to the Commission.

In the Gas Cost Rate – 5 case in 1983, a state-wide investigation of natural gas costs involving all Pennsylvania LDC's, their pipeline suppliers and the Pennsylvania producers, the Commissioners posed several questions for the parties and the Chief

Administrative Law Judge to address. Those questions were addressed by the parties and the CALJ and the answers affected the overall outcome of the case.

Asking questions for disposition at the beginning of a proceeding is a useful procedure. The current Application may provide an opportunity to ask "What if...?"

What synergies could result from the proposed merger and how can these synergies be harnessed for ordinary Pennsylvanians? Could the proposed merger enhance economic development? Does the divestiture of generation, especially the nuclear "virtual divestiture", present any opportunities?

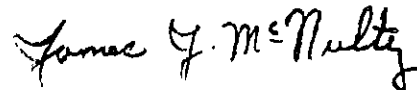
Therefore, pursuant to the Commission's Procedural Rule 402 (G), Commissioner Shane and Vice-Chairman Cawley would like to have the following additional matters addressed in the investigation proceedings:

1. Neighboring states have availed themselves of opportunities to enhance their economic competitiveness through access to economical energy resources. What opportunities exist from this proposed merger in terms of economic development for Pennsylvania? Specifically, does this proposed merger present us with an opportunity to strengthen the State's ability to remain competitive during periods of economic recession and volatile energy pricing?
2. The innovative and controversial nuclear "virtual divestiture" component of the FERC decision appears to present intriguing opportunities for the Commonwealth. Does the proposed merger present this Commission with an opportunity to create an additional economic development program designed to improve Pennsylvania's business climate by creating strategic partnerships with the public and private sector that support product development and the use of energy-efficient technologies?
3. Would it be possible to set aside 10% or some relatively small share of the "virtually" divested generation to augment economic development and economic competition within the Commonwealth? For example, could the parties consider and comment on creating a pool of energy and capacity of at least 260 MWs which could be used at the discretion of the Secretary of the Department of Community and Economic Development to attract and retain business in the Commonwealth?

4. Could the Commonwealth through one of its agencies and/or in conjunction with a licensed Electric Generation Supplier facilitate the use of the output of this generation?

5. Would the combination of the PSE&G gas division with the PECO gas division and the Philadelphia Gas Works provide critical mass for a viable, profitable, shareholder owned public utility, assuming a revenue stream from off system sales from an LNG facility, and separate resolution of the problem of a billion dollar debt?

Very truly yours,

A handwritten signature in black ink that reads "James J. McNulty". The signature is written in a cursive, slightly slanted style.

James J. McNulty
Secretary

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