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**JULIA FRAYER VOICES CONCERNS ABOUT MARKET POWER POTENTIAL
ARISING OUT OF EXELON - PSEG MERGER**

May 27, 2005 – Julia Frayer, Managing Director of London Economics, submitted supplemental testimony at FERC today in the Exelon-PSEG merger proceeding, on behalf of the FirstEnergy Service Company. Ms. Frayer states that currently “it is not possible to conclude, as required by Section 203 of the Federal Power Act, that the proposed merger is consistent with the public interest.” She goes on to state that “other ‘concessions’ that the Applicants offer in order to obtain Commission approval, namely the revised capacity mitigation bidding strategy and the transmission upgrade and investment commitments, do not appear to constitute serious mitigation measures.”

Exelon and PSEG, in their supplemental filing with FERC on May 10, 2005, conditionally offered to divest an additional 1,100 MW of generation if the FERC approves the merger without hearing. They also offered to remove the portfolio size and quantity restrictions they originally imposed on potential buyers of the divested generation. Julia Frayer conducted independent analysis of this conditional offer of more mitigation coupled with the “relaxed buyer restrictions” and found that the revised mitigation offer is wholly inadequate. She notes “this conclusion is not surprising in light of the Applicants’ initial, unjustified proposal to limit the parties eligible to acquire divested generation facilities in order to mask the enormous HHI failures created by the proposed merger. Once this artificial restriction is lifted, it becomes obvious that the anticompetitive impact of the proposed merger is far greater than presented by the Applicants in their filing.” Ms. Frayer’s testimony can be downloaded from the FERC website at <http://elibrary.ferc.gov/>, submittal 20050527-5114 on May 27, 2005 (Docket Number EC05-43).

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