



Market Monitoring Unit

April 22, 2005

President and Commissioners  
State of New Jersey  
Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

Re: In the Matter of Public Service Electric and Gas Company and Exelon Corporation,  
BPU Docket No. EM05020106

Honorable President and Commissioners:

I am responding to your request made in correspondence dated March 29, 2005 and confirming subsequently held conversations between PJM Interconnection, LLC ("PJM") and staff of the Board of Public Utilities ("NJBPU") regarding the above referenced matter. Specifically, the NJBPU has requested that the PJM Market Monitoring Unit ("MMU") initiate a study of the competitive impacts of the Exelon acquisition of PSEG and provide to the NJBPU a report on its findings.

We will not express an opinion as to the asserted authority cited by the Commission in its March 29, 2005 correspondence to make this request and any obligation the MMU may have to respond to such request. PJM has received similar such requests from other parties, including regulatory bodies investigating the proposed combination of Exelon and PSEG. Accordingly, the PJM MMU will update the analyses that it customarily and periodically prepares in the course of its role in overseeing and reporting on the PJM markets. In very general terms, this update will anticipate the combination of the two companies as described from publicly stated descriptions of the transaction and analyze the PJM markets under these conditions.

The MMU will prepare a report and deliver it to the NJBPU within 30 days from the date of this letter. As described above, we anticipate the report will be factual and state empirical findings. The report will not draw legal conclusions; nor will it include recommendations as to whether or not remedial action would be warranted. We hope that the report can be provided without disclosing market sensitive or confidential information. However, should the report include confidential information, we will evaluate our obligations under the PJM Operating Agreement to disclose this information to the NJBPU.

Finally, for the benefit of the applicants, other market participants and other interested stakeholders, following delivery to the NJBPU, PJM intends to make a non-proprietary version of the report generally available through publication on its website.

Sincerely,

  
Joseph Bowring  
PJM Market Monitor

cc: Michael Kormos