

www.chicagotribune.com/business/chi-thu-exelon-0319-mar19,0,5265899.story

chicagotribune.com

ComEd rate hike possible in proposed NRG takeover

Study says merger with Exelon could boost ComEd's costs

By Joshua Boak

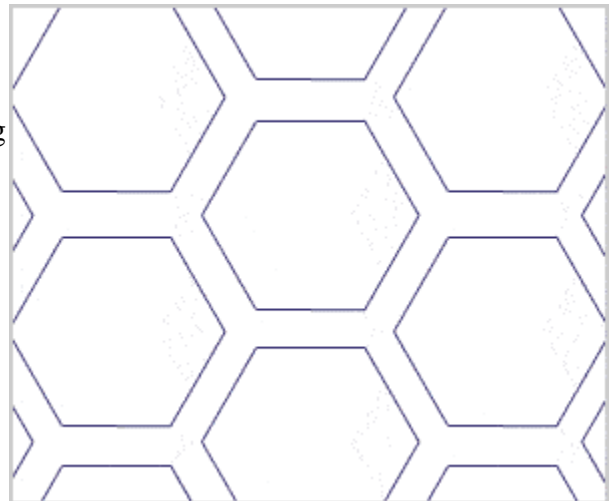
Tribune Reporter

March 19, 2009

Commonwealth Edison customers could pay \$119 million a year more for electricity if the utility's owner, Exelon Corp., completes a \$6 billion hostile takeover of independent power producer NRG Energy Inc., according to a study sponsored by NRG.

A merger could lower ComEd's debt ratings, making it more expensive for the utility to borrow money, said the study, to be released Thursday.

The higher costs could lead ComEd to charge its 3.8 million Illinois customers an additional \$27 million to \$119 million a year. Customers of Peco, a Pennsylvania utility owned by Exelon, also could pay more.



Chicago-based Exelon said the study is "flatly wrong," reiterating that it is committed to having investment-grade debt ratings. Exelon added that its electricity utilities are financially independent.

The study contains assumptions about how the merger would be financed, leading one utility industry analyst to conclude that a rate increase was "theoretically possible, but I would view it as being improbable."

NRG on Tuesday filed a federal lawsuit in New York, claiming Exelon's offer to buy stock from NRG shareholders is a sham that violates U.S. securities laws. The suit alleges that Exelon has no intention of fulfilling the exchange offer accepted by a majority of NRG shareholders, who would trade their stock for 0.485 shares of Exelon.

NRG argues Exelon cannot consummate the deal because of regulatory hurdles and a change-of-control provision requiring Exelon to refinance \$4.6 billion in NRG debt.

NRG management, which in November rejected the terms supported by its shareholders, said the "exchange offer is nothing more than a ruse," and the company wants Exelon to "correct" its public disclosures.

Exelon has said it hopes to expand the NRG board at the company's yet-to-be-scheduled annual meeting,

looking to elect new directors who would push for a merger.

The lawsuit was downplayed by Exelon, which called it "just another attempt by NRG to thwart" the merger.

Exelon shares rose slightly Wednesday, to \$44.57, as did NRG, to \$17.91.

jboak@tribune.com

Copyright © 2009, [Chicago Tribune](#)