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# FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

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## NEWS RELEASE

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### FOR IMMEDIATE RELEASE

December 15, 2005  
Docket No. ER06-43

### COMMISSION AUTHORIZES EXELON GENERATION TO MAKE SALES PURSUANT TO ILLINOIS AUCTION PROPOSAL

The Federal Energy Regulatory Commission today authorized Exelon Generation Co. to make sales to its affiliate, Commonwealth Edison Co., pursuant to a proposed auction in Illinois. The competitive solicitation process will protect Commonwealth Edison consumers from potential affiliate abuse and will result in just and reasonable rates, the Commission concluded.

The Commission found the Illinois Auction Proposal is structured in a manner that satisfies the Commission's so-called *Edgar* precedent, which holds that competitive bidding procedures are essential to protect ratepayers when affiliates enter into market-based rate agreements, to assure that transactions are above suspicion and to prevent market distortions. The auction proposal developed under the supervision of Illinois regulators will prevent abusive self-dealing and protect consumers, the Commission said.

In evaluating the application from Exelon Generation and Commonwealth Edison, the Commission found the proposed solicitation process would be designed and implemented without any undue preference for any affiliated company and eliminates the potential for affiliate abuse, and is consistent with past Commission precedent.

In particular, the Commission found that the proposed auction process satisfies four guidelines involving transparency, definition, evaluation and oversight:

- The proposed auction involves a transparent, nondiscriminatory process for all bidders;
- The products sought through the auction process and the auction's bid-evaluation methods are clearly defined and nondiscriminatory;
- An auction manager will administer the auction process, evaluate the auction results and select winning bidders independently; and
- The involvement of an auction manager and the Illinois Commerce Commission will provide sufficient independent third-party oversight of the process.

The Commission found “unpersuasive” arguments alleging a potential for affiliate abuse, and found the suggestion that directly negotiated rates might result in lower rates “unsupported and irrelevant.” The Commission rejected the suggestion that better results would be obtained if Commonwealth Edison and Exelon Generation engaged in direct negotiations, explaining that the potential for affiliate abuse resulting from direct negotiations is among the reasons the *Edgar* policy was adopted.

The Commission further denied a request by the Illinois Attorney General for a hearing to challenge certain assertions by the applicants. The Commission found that none of the alleged misstatements of fact constitute material issues of fact that require a hearing.