DOW 10,921.92 -58.33

Business

NASDAQ 4,572.83 +114.94

Delco speaks out on PECO merger

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Times Writers

MEDIA – Delaware County residents had an opportunity last night to voice their approval or objections to a Public Utility Commission judge on the pending merger between PECO Energy Co. and Unicom Corp. that would create the largest electric utility in the nation.

Yet only a few residents, judging by the 25 or so people who attended the public hearing, could get charged up about the utilities plans, despite the fact that the new company will become a big player in the industry.

Kenneth Kolaczyk, a power generation worker for 17 years, was one of them.

Kolaczyk, who opposed the merger, said he felt there would be significant job losses here, and there is very little efficiency that can be gained.

"Clearly this merger is not in the public interest," Kolaczyk said.

If the merger is approved, the utilities will form a Chicago-based holding company to be named Exelon Corp. The company will have five million customers, revenues of $12 billion, a market value of $15.2 billion, and a combined work force of 22,500 employees.

And the consolidation, as in all mergers, will cost jobs – in this case, 1,100 existing jobs between the two companies.

Exelon Corp. will be the nation's fourth-largest power generator, with a generation portfolio of more than 22,500 megawatts. Based on current equity market values, the new company will rank third in the industry with a market capitalization of $15.2 billion.

PECO sees the deal as "a merger of equals and a perfect fit as well as a necessity to position itself to compete on a grand scale."

PECO has said that it didn't have the size to be competitive in a national marketplace. Its thinking is that the combined company provides scale, scope and resources in an increasingly competitive energy marketplace. Generating capacity and the ability to move power around will become critical to become competitive.

The holding company will distinctly delineate the different parts of the business, clearly separating the distribution, generation and competitive unregulated ventures, according to PECO

The Philadelphia region will house the generation and power trading headquarters, and PECO's chairman and chief executive officer Corbin McNeil will oversee that business.

Unicom CEO John Rowe will run the new holding company itself from its headquarters in Chicago.

Some residents, like William R. Taylor of Ridley Park, said the merger proposal is good for small business.

The PUC law judge, who will weigh testimony from last night's hearing as well as evidence from other hearings held in the area, will issue a recommendation to the commission by April 14.

In turn, the PUC is expected to give its blessing.

Initially, there were concerns voiced from consumer, environmental groups, Philadelphia officials and businesses, about whether the merger would benefit current PECO customers and how it would affect jobs and rates.

PECO could not say how many of it 6,500 jobs in the Philadelphia area would be affected, but it did say the "impact" on Delaware County's 700 employees should be minimal.

State Sen. Clarence Bell, who could not be present at last night's hearing, said he is concerned about middle management positions being eliminated.

"The PUC must consider how concerned the middle management employee living in Illinois would be with the problem of my neighbors in Chester County and/or Delaware County," Bell said in a statement.

The companies announced that they planned to cut up to 5 percent of its combined work force of 20,000.

The worries were seemingly put to rest when PECO last week announced it had reached an agreement with the parties to reduce electric rates and retain jobs here.

Regardless of whether PECO's attempt to merge with Unicom is approved by state and other regulators, rates are headed up next year after the rate cuts guaranteed in deregulation expire.

Those rates cuts, which were in PECO's settlement agreement with the PUC, had been set at 8 percent in 1999 and 6 percent this year. The guaranteed rate reductions vanish next year altogether.

However, PECO has promised a 1.8 rate reduction in return for the securitization approval of an additional $1 billion in stranded costs.

The PUC has approved that request.

This $1 billion allows the utilities to buy back stock and reduce debt. PECO and Unicom plan to buy back $1.5 billion in stock as part of their merger that will create one of the nation's largest electric utilities.

Unicom plans to repurchase $1 billion of its outstanding shares and PECO will buy back $500 million of its outstanding shares before the merger is completed.

The merger is expected to be completed this fall. It will still need the approval of the Nuclear Regulatory Commission, the Federal Energy Regulatory Commission and the Securities and Exchange Commission.

Gas price platform

AP Photo

Reform Party presidential hopeful Pat Buchanan, addressing Boston University students yesterday, said the U.S. should stabilize oil prices in part by lifting sanctions on Iran and Iraq, selling them oil-drilling equipment and threatening to withhold military help from Persian Gulf allies unless crude prices fall to $20 a barrel.

Markets

■ **Technology stocks came back** from the brink yesterday, pulling the Nasdaq composite index higher for the first time this week. But investors turned toward well-established computer makers and networking companies, and shunned Internet businesses now seen as risky investments at the end of a volatile quarter.

The Nasdaq composite index rose 114.94 to close at 4,572.83. In earlier trading, the Nasdaq had fallen as much as 76 points and appeared to be in danger of extending its losing streak.

The Nasdaq finished the week with a loss of 390 points, and is 9.4 percent below its March 10 record high close of 5,048.62.

But even after its recent slump, the Nasdaq ended the first quarter with a 12.4 percent gain. The Dow Jones industrial average fell 5 percent during the quarter, while the Standard & Poor's 500 rose 2 percent.

Yesterday, the Dow average gave up solid early gains and closed down 58.33 at 10,921.92. The Standard & Poor's 500 rose 10.66 to 1,498.58.

Ticker

■ **The Boeing Co. has notified all its 767-300 customers** that parts of the wing structure near the central fuel tank may be susceptible to cracking.

Boeing is inspecting 16 model 767-300 jets in production for cracks in "stringers," which run the width of the fuel tank and help support the wing.

No cracks have been reported in planes now in service and it is not clear how many planes could be affected, Boeing spokeswoman Debbie Heathers said.

Boeing said the problem came to light recently when an 8-inch crack was found in a stringer on a 767-300 in production at the company's plant in Everett. The Seattle-based company blamed one shipment of improperly heat-treated parts from a supplier, and said today only a single lot of 32 parts were affected.