MS. HOWES: IT IS TOUGH TO FOLLOW TWO COAL
GUYS AND TALK ABOUT NUCLEAR, BUT I'M GOING TO GIVE IT
A SHOT. I'M GOING TO START WITH A QUOTE FROM OUR
CEO. I WANT TO BE OPTIMISTIC. WE BELIEVE, AT
EXELON, THAT WE CAN REDUCE GREENHOUSE GAS EMISSIONS,
BUT IT'S NOT GOING TO BE EASY, AND IT'S NOT GOING TO
BE CHEAP, AND WE'RE GOING TO HAVE TO HAVE SIGNIFICANT
INVESTMENT IN TECHNOLOGY. AND BRUCE OUTLINED SOME OF
THE CHALLENGES ON THE COAL SIDE OF THE EQUATION. AND
THERE WILL BE LOTS OF TECHNOLOGY CHALLENGES. IF YOU
REMEMBER HIS EPRI CHART, THERE'S A LOT OF TECHNOLOGY
THAT HAS TO BE DEVELOPED IN ORDER FOR US TO REACH
THOSE CO2 CONCENTRATION LIMITS WE WERE TALKING ABOUT
THIS MORNING. BUT ON THE OPTIMISTIC END, I WANT TO
POINT OUT ONE THING. THERE ARE COMPANIES LIKE AEP
AND EXELON THAT EVEN IN THE ABSENCE OF FEDERAL
LEGISLATION ARE SPENDING MONEY NOW TO REDUCE THEIR
OWN GREENHOUSE GAS EMISSIONS, AND THEY'RE INVESTING
IN TECHNOLOGY NOW TO PREPARE FOR A LOW-CARBON FUTURE.
SO THERE IS A REASON TO BE OPTIMISTIC.

I WANT TO GIVE YOU, OR START BY TALKING A
LITTLE BIT ABOUT EXELON AND OUR POSITION ON CLIMATE
0233

LEGISLATION. IT IS JUST TO PROVIDE SOME CONTEXT FOR
MY FURTHER DISCUSSION. THEN I'M GOING TO TALK ABOUT
OUR VOLUNTARY GREENHOUSE GAS GOAL BECAUSE I THINK IT
ILLUSTRATES WHAT SOME OF THE BUSINESS OPPORTUNITIES
ARE, AND THEN I WOULD BE REMISS IF I DIDN'T TALK
ABOUT NEW NUCLEAR POWER PLANTS.

EXELON IS ONE OF THE LARGEST INTEGRATED
ELECTRIC UTILITIES. "INTEGRATED ELECTRIC UTILITIES"
MEANS THAT WE HAVE BOTH GENERATION AS WELL AS
DISTRIBUTION COMPANIES. OUR COMPANY WAS FORMED WITH
THE MERGER OF COMMONWEALTH EDISON IN CHICAGO AND
PHILADELPHIA ELECTRIC POWER COMPANY IN PHILADELPHIA,
PECO. WE HAVE 5.2 MILLION ELECTRIC CUSTOMERS, NOT
QUITE AS GEOGRAPHICALLY DISPERSED AS AEP. OUR
CUSTOMERS ARE IN THE CHICAGO AREA AND IN THE
PHILADELPHIA AREA. BUT WHAT DISTINGUISHES US IS THAT
OUR GENERATION IS LARGELY NUCLEAR-BASED. IF YOU LOOK
AT THE PIE CHART IN THE LOWER CORNER, 92 PERCENT OF
THE ELECTRICITY WE PRODUCE COMES FROM NUCLEAR POWER.
THE REMAINING PERCENTAGES COME FROM -- 7 PERCENT,
ROUGHLY, FROM COAL, OIL, AND GAS, AND ABOUT 1 PERCENT
FROM RENEWABLE ENERGY. WE'RE A BIG NUCLEAR PLAYER.
WE DON'T QUITE PRODUCE 20 PERCENT OF THE ELECTRICITY
FROM NUCLEAR. ABOUT 20 PERCENT OF THE ELECTRICITY
THAT IS PRODUCED IN THE U.S. COMES FROM NUCLEAR
POWER. WE'RE A BIG PLAYER, BUT WE DON'T PRODUCE ALL
OF IT, JUST TO SET THE RECORD STRAIGHT.

BUT HERE IS TO GIVE YOU A SENSE OF OUR
GREENHOUSE GAS EMISSIONS RELATIVE TO THE OTHER BIG
PLAYERS. HERE, BRUCE, I MADE YOU THE NUMBER ONE
GENERATOR IN THE U.S. THIS IS 2004 DATA. WE'RE THE
NUMBER FOUR IN TERMS OF GENERATION, BUT WE HAVE ONE
OF THE SMALLEST GREENHOUSE GAS FOOTPRINTS. WE
PRODUCE ROUGHLY, DEPENDING ON THE YEAR, 12 TO
13 MILLION METRIC TONS OF CO2 ANNUALLY AND YOU CAN ADD
ANOTHER MILLION METRIC TONS IF YOU FACTOR IN THE
REMAINING GREENHOUSE GASSES. SO WE HAVE A RELATIVELY
SMALL GREENHOUSE GAS FOOTPRINT RELATIVE TO SOME OF
THE OTHER MAJOR PLAYERS, BUT IT GIVES YOU A SENSE OF
HOW MANY PLAYERS THERE ARE IN THE UTILITY SECTOR --
THIS IS JUST THE TOP 10 -- AND HOW DIVERSE THEIR
GENERATION PORTFOLIOS ARE.

LET ME TALK FIRST ABOUT OUR POSITION ON
FEDERAL CLIMATE CHANGE LEGISLATION. WE BELIEVED THAT
THE SCIENCE WAS REAL MANY YEARS AGO. WE ARE ONE OF
THE FEW UTILITIES THAT'S BEEN ACTIVE IN THE DEBATE IN
WASHINGTON. JOHN ROWE, WHO IS OUR CHAIRMAN,
PRESIDENT, AND CEO, WAS A MAJOR PLAYER IN THE
NATIONAL COMMISSION ON ENERGY POLICY; AND THEY PUT
OUT THEIR FIRST REPORT IN DECEMBER OF 2004. MORE
RECENTLY, WE HAVE BEEN PARTICIPATING IN THE U.S.
CLIMATE ACTION PARTNERSHIP, USCAP. THE WHOLE PURPOSE
OF USCAP IS TO GET LIKE-MINDED COMPANIES WORKING
TOWARD VAILABLE FEDERAL LEGISLATION TO CONTROL
GREENHOUSE GASSES. WE'RE ALSO A MEMBER OF THE PEW
BUSINESS ENVIRONMENTAL LEADERSHIP COUNCIL.

SO WHAT HAVE WE BEEN LOBBYING FOR AND WHY
ARE WE INVOLVED? ONE OF THE REASONS WE'RE INVOLVED,
ONE OF THE REASONS UTILITIES ARE INVOLVED IS WE HAVE
A BIG TARGET ON OUR BACKS. WE WILL BE ONE OF THE
FIRST INDUSTRIES THAT WILL BE REGULATED. EVERY BILL
THAT YOU SAW IN THAT VERY-SMALL-FONT SLIDE THIS
MORNING, VIRTUALLY EVERY ONE OF THEM HAS UTILITIES TO
BE REGULATED AND, THEREFORE, OUR INTEREST IN BEING
PART OF THE DISCUSSION.

AND WHY ARE UTILITIES TARGETED? IN PART,
BECAUSE ABOUT A THIRD OF THE EMISSIONS IN THE U.S.,
GREENHOUSE GAS EMISSIONS, COME FROM THE ELECTRICITY SECTOR. SO WE'RE PART OF THE PROBLEM. ANOTHER THIRD COMES FROM THE TRANSPORTATION SECTOR; AND ROUGHLY ANOTHER THIRD COMES FROM THE INDUSTRIAL/COMMERCIAL SECTOR. FROM OUR PERSPECTIVE, YES, UTILITIES SHOULD BE REGULATED; BUT WE THINK THE REGULATION SHOULD BE ECONOMY-WIDE. WE NEED TO COVER ALL OF THOSE SECTORS IN ORDER TO REDUCE GREENHOUSE GASSES TO WHAT YOU WILL DETERMINE WILL BE ACCEPTABLE LEVELS.

WE ALSO WANT MANDATORY STANDARDS. WHILE WE HAVE VOLUNTEER COMMITMENT TO REDUCE OUR OWN GREENHOUSE GASSES, AS DOES AEP, WE REALIZE THAT WE NEED A MANDATORY PROGRAM IN ORDER TO DRIVE THE LEVEL OF CHANGE THAT IS NECESSARY.

WE'RE SUPPORTIVE OF A CAP-AND-TRADE PROGRAM, IN PART BECAUSE WE WORK IN COMPETITIVE ELECTRICITY MARKETS. WE LIKE MARKET MECHANISMS. WE THINK THAT WILL HELP DRIVE EFFICIENCY IN REDUCING EMISSIONS.

ONE OF THE ISSUES THAT I'D SAY IS HOTLY DEBATED -- BRUCE WILL ATTEST -- WITHIN THE ELECTRICITY SECTOR IS HOW TO ALLOCATE ALLOWANCES. BECAUSE WE BELIEVE THAT IN ORDER TO MAKE A FUNDAMENTAL SHIFT TO A LOW-CARBON TECHNOLOGY, EVERYBODY, IN THEIR ENERGY PRICES, HAS TO SEE A COST OF CARBON. AND SO FROM OUR PERSPECTIVE, WE THINK THE ALLOWANCES SHOULD BE ALLOCATED TO THE DISTRIBUTION UTILITIES THROUGH THE COMED'S OR THE PECO'S OR WHOEVER YOU BUY YOUR ELECTRICITY FROM. THEY WILL SELL THOSE ALLOWANCES. THE DOLLARS THEY GET FROM THOSE SALES CAN THEN BE ALLOCATED BACK TO THEIR CUSTOMERS FOR REBATES, IN PART BECAUSE CUSTOMERS ARE GOING TO BEAR THE PRICE OF THE COST OF CARBON. SO EVERYONE IN THIS ROOM IS GOING TO HAVE A HIGHER ELECTRICITY BILL, AND OUR NOTION IS THAT SOME OF THOSE COSTS CAN POTENTIALLY BE REBATED BACK TO CUSTOMERS TO SORT OF SMOOTH THE TRANSITION.

SO THIS IS WHAT WE HAVE BEEN DOING IN WASHINGTON OVER THE LAST I'M GOING TO SAY FIVE YEARS, AND WE'VE BEEN PRETTY ACTIVE IN THE DISCUSSIONS OF THE BILLS THAT WERE REFERENCED THIS MORNING. BUT AS TO BUSINESS OPPORTUNITIES, THE FIRST ONE UP, I WOULD CHARACTERIZE AS IMPROVING OUR OWN OPERATIONS. IN MAY OF 2005, WE SET A VOLUNTARY
GREENHOUSE GOAL. WE SAID THAT WE'D REDUCE OUR
GREENHOUSE GAS EMISSIONS 8 PERCENT BY THE END OF
2008, USING A 2001 BASELINE. WE'RE WELL ON OUR WAY.
AS A MATTER OF FACT, I THINK WE'RE GOING TO EXCEED
THAT GOAL. THERE WAS A LOT OF CONSTERNATION WHEN WE
SET IT BECAUSE THERE'S ALWAYS THE UNCERTAINTY OF
WHAT'S GOING TO HAPPEN IN THE MARKETPLACE.

LET ME ITEMIZE SOME OF THE THINGS WE DID.
WE CLOSED OLD, INEFFICIENT COAL PLANTS. WE GOT ABOUT
50 PERCENT TOWARDS OUR GOAL WITH THOSE ACTIONS, AND
THEY HAVE OCCURRED OVER THE LAST COUPLE OF YEARS. WE
HAVE IMPROVED THE EFFICIENCY OF OUR OWN OPERATIONS,
REDUCING THE LEAKAGE OF SF6, WHICH IS AN INSULATING
GAS USED IN BREAKERS. IT ACHIEVES ABOUT 40 PERCENT
OF OUR GOAL. TO GIVE YOU A METRIC ON OUR GOAL, WE
SAID WE WOULD REDUCE IT 8 PERCENT. THAT IS ROUGHLY
1.3 MILLION METRIC TONS, TO GIVE YOU AN ORDER OF
MAGNITUDE. REDUCING SF6 HAS REALLY DRAMATICALLY
HELPED US IN TERMS OF ACHIEVING THE GOAL. WE'VE ALSO
GOT A FUEL FLEET EFFICIENCY. WE USE BIODIESEL IN ALL
OF OUR DIESEL VEHICLES, AND ROUGHLY 40 PERCENT OF OUR
FLEET IS HYBRID VEHICLES, AND WE'RE LOOKING AT
EXPERIMENTING WITH A COUPLE OF ELECTRIC VEHICLES. SO
WE HAVE DONE A FAIR AMOUNT INSIDE TO TRY TO PREPARE
OURSELVES FOR A LOW-CARBON FUTURE, AND I THINK THESE
ARE THINGS THAT CAN EASILY BE DONE BY OTHER
BUSINESSES, EASILY BECAUSE THIS HAS NOT COST US A
WHOLE LOT OF MONEY TO GET THESE PARTICULAR
REDUCTIONS.

BUT I WANTED TO HIGHLIGHT ONE OF THEM, AND
IT UNDERSCORES SOMETHING BRUCE SAID ABOUT BUILDING
STANDARDS. IN 2005 WE DECIDED TO CONSOLIDATE SOME
OFFICE SPACE, AND IT'S IN THE LOOP IN CHICAGO. WE
WERE AT THREE DIFFERENT LOCATIONS. EMPLOYEES HAD TO
RUN BETWEEN LOCATIONS IN ORDER TO GET THEIR WORK
DONE. WE CONSOLIDATED THEM INTO ONE BUILDING. WE
DECIDED THAT WE WOULD RENOVATE THE BUILDING USING
U.S. GREEN BUILDING STANDARDS. WE DID SO. WE
RENOVATED TEN FLOORS OF A 1970S VINTAGE CHICAGO LOOP
BUILDING, WHICH MEANS IT HAD THOSE DISGUSTING OLD
PARTITIONS, THE LIGHTING WAS HORRIBLE, THE AIR
QUALITY IN THE BUILDING WAS HORRIBLE. HOPEFULLY,
NONE OF YOU ARE RELATED TO THE OWNER OF THAT BUILDING
IN CHICAGO. BUT WE DID RENOVATE IT. WE USED GREEN
BUILDING STANDARDS, U.S. GREEN BUILDING STANDARDS. WE ACHIEVED A PLATINUM CERTIFICATION FOR RENOVATED BUILDINGS. WHEN WE STARTED OUT, WE WERE TOLD IT IS GOING TO COST YOU 20 PERCENT MORE THAN A CONVENTIONAL BUILDING RENOVATION. WE PROVED THEM WRONG. IT COST US LESS THAN 5 PERCENT PREMIUM. WE EXPECT THAT WE WILL REPAY THAT PREMIUM IN LESS THAN FIVE YEARS FROM OUR ENERGY SAVINGS ALONE. WE ORIGINALLY PREDICTED -- AND THIS IS USING VERY CONVENTIONAL, ALBEIT SOMEWHAT HIGH-TECH EQUIPMENT -- WE THOUGHT WE WOULD GET ABOUT A 43-PERCENT REDUCTION IN OUR ELECTRICITY BILL. NINE MONTHS OF DATA TELL US WE'RE GOING TO SURPASS 50 PERCENT. THIS IS DOABLE, THIS ABSOLUTELY IS DOABLE, SO BUSINESS OPPORTUNITY, I THINK, FOR OTHER BUSINESSES, I DON'T THINK WE'RE ATYPICAL, TO IMPROVE THE EFFICIENCY OF THEIR OWN OPERATIONS.

WE'VE ALSO INVESTED IN RENEWABLES. WE SELL REC'S, WHICH ARE RENEWABLE ENERGY CREDITS. IT IS LARGELY DRIVEN BY RPS, RENEWABLE PORTFOLIO STANDARDS THAT HAVE BEEN SET AT THE STATE LEVEL, WHICH DICTATE HOW MUCH RENEWABLES MUST BE PART OF THE GENERATION MIX. WE SELL THOSE RENEWABLE ENERGY CREDITS INTO BOTH THE VOLUNTARY MARKET AND A COMPLIANCE MARKET. SO THE COMPLIANCE MARKET IS IN RESPONSE TO THE RENEWABLE PORTFOLIO STANDARD. MOST OF THE STATES IN WHICH WE DO BUSINESS HAVE A RENEWABLE PORTFOLIO STANDARD. WHEN WE STARTED THE BUSINESS, WE LOST MONEY IN THE FIRST COUPLE OF YEARS. NOW WE'RE IN THE MONEY. AND THE REASON THAT WE'RE IN THE MONEY IS BECAUSE OF THE SHORTAGE OF DEMAND OF RENEWABLE ENERGY CREDITS. AND IF YOU SEE THOSE TWO STATEMENTS, RENEWABLE ENERGY CREDITS FOR WIND HAVE MOVED FROM ABOUT 15 BUCKS PER MEGAWATT HOUR UP TO 21 TO 23, AND IT WILL PROBABLY INCREASE UNTIL SOMEONE BRINGS A NEW PROJECT IN. VIRTUALLY ALL OF THE STATES IN WHICH WE DO BUSINESS HAVE VERY AGGRESSIVE RENEWABLE PORTFOLIO STANDARDS. SO THERE IS A ROLE FOR RENEWABLES. FOR US RIGHT NOW, IT IS A SMALL-MARGIN BUSINESS. ON THE OTHER HAND, THERE'S DEFINITELY SOME UP SIDE POTENTIAL.

THE OTHER AREA I WANTED TO UNDERSCORE WAS OUR CUSTOMER PROGRAM. IN PHILADELPHIA WE OFFER PECO WIND. PECO WIND ALLOWS OUR CUSTOMERS TO PAY A PREMIUM TO INCREASE THE AMOUNT OF WIND THAT'S INTRODUCED INTO THE GRID. WE HAVE ONE OF THE LARGEST
PROGRAMS IN THE U.S., 37,000 CUSTOMERS ARE PART OF THIS, WHICH SOUNDS LIKE A LARGE NUMBER. IT'S ABOUT 2 PERCENT OF OUR CUSTOMERS, BUT THERE IS A NICHE MARKET WHO WANT TO PAY A PREMIUM TO HAVE MORE RENEWABLE ENERGY. SO HERE, TOO, IS ANOTHER OPPORTUNITY, ANOTHER BUSINESS OPPORTUNITY FOR SOME COMPANY.

ENERGY EFFICIENCY FOR CUSTOMERS. BRUCE TOUCHED ON THIS, AS WELL. COMED, WHICH IS IN CHICAGO, FILED ON NOVEMBER 15 A 3-YEAR PLAN TO DELIVER ENERGY ELECTRICITY PROGRAMS TO CUSTOMERS. IN PART, IT IS TO HELP THEM REDUCE THE COST OF THEIR ELECTRICITY BILLS. I WILL BE PERFECTLY FRANK HERE. IN ILLINOIS THERE HAS NOT BEEN ENERGY EFFICIENCY PROGRAMS FOR MANY YEARS. WE'RE GOING AFTER THE LOW-HANGING FRUIT. RESIDENTIAL LIGHTING -- NO SURPRISE; APPLIANCE RECYCLING; RESIDENTIAL HOME BUILDING, MULTI-UNIT OPERATIONS; AND SOME COMMERCIAL AND INDUSTRIAL OPERATIONS.

I'M GOING TO DIVERGE A SECOND. I'LL GET MY MINUTES HERE.

HOW MANY OF YOU ARE FROM CALIFORNIA? OKAY. KEEP YOUR HANDS UP.

HOW MANY OF YOU HAVE COMPACT FLUORESCENTS IN YOUR HOUSES? OKAY. VIRTUALLY ALL OF YOU.

FOR YOU NON-CALIFORNIA FOLKS, HOW MANY PEOPLE HAVE COMPACT FLUORESCENTS IN THEIR HOUSES?

OKAY, CALIFORNIA, YOU DON'T GET TO VOTE TWICE. YOU'RE MAKING IT LOOK BIGGER. OKAY.

HOW MANY OF YOU MADE A DECISION ABOUT APPLIANCES BASED ON ENERGY EFFICIENCY IN RECENT MONTHS? OKAY. VIRTUALLY ALL OF YOU. PUT YOUR HANDS DOWN.

FOR YOU NON-CALIFORNIA FOLKS, HOW MANY PEOPLE HAVE COMPACT FLUORESCENTS IN THEIR HOUSES?

OKAY, YOU ARE VERY ATYPICAL.

(LAUGHTER)

WHEN I GIVE THE SPEECH -- TRULY, WHEN I GIVE THE SPEECH IN MOST PLACES, PEOPLE DO NOT HAVE A CLUE TO WHOM THEY PAY THEIR ELECTRICITY BILL; THEY DON'T HAVE A CLUE HOW MUCH THEY PAY IN THEIR ELECTRICITY BILL; THEY CAN'T TELL YOU WHAT THE RATE IS PER KILOWATT HOUR FOR THEIR ELECTRICITY BILLS. IT
JUST ISN'T ON THEIR RADAR SCREEN.
SO TRYING TO GET PEOPLE TO PRACTICE ENERGY
EFFICIENCY IS GOING TO BE A BIT OF AN UPHILL
CHALLENGE. YOU PEOPLE ARE, AS I SAID, VERY ATYPICAL
FOLKS. AND IF WE EXPECT TO GET WHAT WE WILL NEED TO
GET FROM ENERGY EFFICIENCY, THERE IS A LOT MORE
EDUCATION THAT HAS TO HAPPEN.

Okay. Let me get into nuclear. I want to
focus on nuclear because it is such a big part of our
business. I want to be real clear up front. We
realize that we have to operate these plants
exceptionally well; that in order to maintain what we
see as the license to operate these, we need to
operate them at world-class levels. And what I
provided here is some examples of the efforts that we
have taken in order to maintain world-class capacity.
It says capacity factor of 93.6 percent.
This means it was available roughly 94 percent of the
time to produce electricity, which means it is
world-class.
We were ranked second in 2006 in the INPO index. I'm not going to bore you with the INPO
index. It is a mathematical formulation that I swear
was done by nuclear navy guys, and only they can
understand what it means. But let me tell you what
it does represent: it is a metric that looks at
several dozen parameters to look at the effectiveness
and the efficiency of operations of the nuclear
plants. It is done for every plant around the world.
And every year it is published to determine who is
doing well and who isn't doing well. There is a lot
of peer pressure to keep raising the standard.
Exelon is one of the best-operated nuclear
power plants around the world. And why is it? If
you look at the last two bullets, in the six years
between 2000 and 2005, we spent $2.3 billion on
increasing the efficiency, so upgrades of the
generating stations, as well as replacing equipment
to maintain high-capacity factors. And we will spend
an equivalent amount over the next five-year period.
They run really well. We operate them really well.
We operate them very safely. But they are expensive.
Something to keep in mind.

So what is the industry doing? I would say
The first thing the majority in the industry are doing is they are looking at license renewals. What this chart indicates, those are our power plants, names of our power plants, on the left-hand side. Virtually all of them have a 40-year operating license, which is essentially an accounting period of time. The NRC has said you can operate for 40 years; and at the end of 40 years, if you want to run them some more, you got to come back and get another license, plus you have to demonstrate that you're going to continue to operate them very well and very safely. So, as virtually all of the other owners of nuclear power plants, we are going back to have our licenses extended another 20 years. If you see from this table, six of our plants have already had their licenses renewed. We are currently working on Oyster Creek, and we're looking for a 20-year license renewal for that facility.

Important to note, 48 U.S. reactors have been relicensed to date, so the fleet will be around roughly for another 20 years. Twelve additional reactors have been filed for license renewals, and 20 more are expected to apply for renewal. So you're seeing in the industry a focus on extending the license of the existing plants. Just to be clear, there is a very high bar; the NRC requires a lot of evidence to suggest that these plants can be operated safely for another 20 years.

Announced nuclear projects: 21 companies said that they will build nuclear power plants, and that's roughly 39,000 megawatts. That's what's been announced to date. I think it is pretty fair to say that not all of these plants are going to be built. The best guesstimate in the industry is the first plant will be built sometime in the 2016-to-2020 period. It is likely going to be located someplace in the southeast part of the U.S. because they require base load generation, and they are in cost-of-service states. As Bruce was saying, the cost can be passed on to the customers.

Which plants? I can't predict at this particular point. But I will point out two of them, and I'm going to point out Dominion. Dominion is the second line. They're proposing a plant in Virginia.
THEY'RE PRETTY FAR ALONG IN TERMS OF SUBMITTING THEIR
COL, WHICH IS A CONSTRUCTION OPERATING LICENSE. WE,
TOO, HAVE ACRONYMS, BUT YOU GUYS BLEW ME AWAY THIS
MORNING WITH ALL OF YOUR ACRONYMS. I THINK YOU HAVE
MANY MORE THAN THE UTILITY SECTOR.
AND I'M GOING TO FOCUS ON EXELON BECAUSE
I'M GOING TO TALK ABOUT THOSE TWO NEXT.
SO WE COULD SEE SOME NEW NUCLEAR PLANTS,
BUT IT IS IN THE 2016-TO-2020 TIME FRAME. SO KEEP
THAT IN MIND.
LET ME TALK FIRST ABOUT EXELON. WE THINK
THAT NUCLEAR IS PART OF THE SOLUTION TO ADDRESS
CLIMATE CHANGE. I SHOULD NEVER SAY "SOLUTION." IT
IS ONE OF THE ACTIONS NECESSARY TO ADDRESS CLIMATE
CHANGE. WE DON'T THINK IT IS THE ONLY ANSWER.
CLEARLY, ENERGY EFFICIENCY RENEWABLES AND COAL WITH
CARBON CAPTURE AND SEQUESTRATION WILL BE NECESSARY,
BUT THERE WILL BE A NEED FOR NEW NUCLEAR PLANTS.
WE HAVE PUT SOME CONDITIONS ON OUR
INVESTMENT IN NEW NUCLEAR PLANTS. FIRST, IT HAS GOT
TO BE COST-COMPETITIVE WITH A BASE LOAD UNIT, AND
WE'RE USING AS OUR BASE LOAD IGCC THAT YOU HEARD A
BIT ABOUT, WITH CARBON CAPTURE AND SEQUESTRATION,
THAT YOU HEARD ABOUT FROM BRUCE.
SECONDLY, THERE HAS TO BE CERTAINTY WITH
RESPECT TO LICENSING NEW PLANTS. MANY OF US IN THE
NUCLEAR INDUSTRY GOT CAUGHT IN THAT PERIOD WHERE WE
GOT A CONSTRUCTION LICENSE AND WE DIDN'T GET AN
OPERATING LICENSE UNTIL 14 YEARS LATER. SO YOU CAN
APPRECIATE THE COST OF HAVING THAT LONG A DELAY IN
OPERATING YOUR PLANT.
THE THIRD CONDITION IS THAT WE HAVE TO HAVE
MORE PASSIVE DESIGNS; AND BY THAT, I MEAN DESIGNS OF
NUCLEAR PLANTS THAT WILL FAIL LESS OFTEN BECAUSE THEY
HAVE FEWER VALVES AND FEWER MOTORS. AND I'LL TALK A
LITTLE BIT ABOUT THAT A LITTLE BIT LATER.
WE ALSO NEED TO HAVE SOME RESOLUTION OF
WHAT WE'RE GOING TO DO WITH THE SPENT FUEL. IT IS
PRETTY OBVIOUS TO US THAT YUCCA MOUNTAIN WILL NOT GO
AHEAD AS SCHEDULED. PERHAPS, THERE IS AN INTERIM
STORAGE ISSUE OR INTERIM STORAGE OPTION THAT THE
INDUSTRY AND DOE NEEDS TO CONSIDER, BUT THERE HAS TO
BE SOME RESOLUTION OF FUEL OR WHAT TO DO WITH USED
FUEL. WE CAN STORE THE FUEL ON OUR SITES FOR
HUNDREDS OF YEARS. ON THE OTHER HAND, IT MAY BE MORE EFFICIENT TO HAVE IT IN ONE CENTRALIZED LOCATION. AND WE ALSO NEED PUBLIC SUPPORT FOR NEW NUCLEAR PLANTS. ALL OF THESE FACTORS, THESE CONDITIONS, REPRESENT BUSINESS RISKS FOR US; AND OUR JOB BEFORE WE BUILD A NEW ONE IS TO TRY TO MINIMIZE THE AMOUNT OF RISK ASSOCIATED WITH THESE, WITH THESE POTENTIAL RISKS.

BUSY TABLE: I'M NOT GOING TO GO THROUGH ALL OF THE NUMBERS. THE TWO I WANTED TO POINT OUT IS JUST CAPITAL COST, IGCC WITH CARBON SEQUESTRATION. THIS IS A DOE/EIA DATA SET. IT SUGGESTED CAPITAL COST OF IGCC AT ROUGHLY $2,134 PER KILOWATT. BRUCE SAID ROUGHLY 3. I SUSPECT IT'S NORTH OF THAT. BUT THEN LOOK AT THE NUCLEAR COST. IT IS ROUGHLY $2,000 PER KILOWATT. I THINK THAT IS A LOW ESTIMATE. HOWEVER, THAT IS OUR COMPARATOR. IT'S GOT TO BE COST COMPETITIVE WITH IGCC, WITH CARBON SEQUESTRATION IN ORDER FOR US TO GO AHEAD BECAUSE THOSE ARE BASE LOAD OPERATIONS. I'VE THROWN A FEW MORE NUMBERS UP THERE TO TANTALIZE YOU, AND MAYBE THERE WILL BE SOME QUESTIONS ON IT GOING FORWARD.

SO WHAT IS THE ROAD MAP FOR A NEW NUCLEAR PLANT? DECISION ONE IS TO FILE AN APPLICATION FOR A CONSTRUCTION OPERATING LICENSE. ONE OF THE REASONS MOST COMPANIES ARE DOING IT IS BECAUSE THERE ARE POTENTIAL TAX CREDITS IN THE ENERGY POLICY ACT IF YOU FILE AN EARLY COL, CONSTRUCTION OPERATING LICENSE.

THE SECOND DECISION POINT IS TO STAND IN LINE FOR CRITICAL COMPONENTS, BECAUSE THE NUCLEAR INDUSTRY IS AN INTERNATIONAL INDUSTRY, AND WE'RE ALL CHASING THE STEEL, THE EQUIPMENT THAT IS NECESSARY. TO GIVE YOU A SENSE OF THE COST OF ONE AND TWO, BECAUSE THEY ARE NOT INCONSEQUENTIAL, DOMINION, WHEN IT TALKED ABOUT EXPANDING OR BUILDING A NEW UNIT AT ONE OF THEIR EXISTING PLANTS, THE ESTIMATED COST OF ONE AND TWO, $500 MILLION; $500 MILLION AND NOT EVEN COMMITTED TO CONSTRUCT.

NUMBER THREE IS THE DECISION TO PROCEED WITH CONSTRUCTION. ROUGH ESTIMATES OF THE COST OF A NEW NUCLEAR POWER PLANT, $3 TO $5 BILLION. THESE ARE HUGE INVESTMENTS. SO IF ANYONE THIS MORNING HAS ANY DOUBT ABOUT THE NEED TO BE CERTAIN ABOUT YOUR CO2 LEVELS AND THE NEED FOR FURTHER RESEARCH, WE HAVE A LOT OF MONEY RESTING ON THIS. I ENCOURAGE YOU TO BE
MORE EFFICIENT IN YOUR MEASUREMENTS OF CO2 EMISSIONS, PLEASE. LATER I WILL ASK BRUCE WHAT HE THINKS THE ESTIMATED COST OF AN IGCC PLANT IS. IS IT CLOSE? IT'S PROBABLY PRETTY CLOSE. SO WHAT HAVE WE DONE? THE FIRST STATEMENT, I'M GOING TO SAY IT TWICE: WE HAVE NOT COMMITTED TO BUILD A NEW NUCLEAR PLANT. WE HAVE NOT COMMITTED TO BUILD A NEW NUCLEAR PLANT. HOWEVER, WE ARE WORKING WITH COMPANIES WHO ARE TRYING TO STREAMLINE THE CONSTRUCTION OPERATING LICENSE PROCESS. WE'RE WORKING WITH WESTINGHOUSE AND GE ON A MORE PASSIVE DESIGN. WE'VE SOUGHT AN EARLY SITE PERMIT FOR A CLINTON PLANT IN ILLINOIS. BUT REMEMBER: WE ARE NOT COMMITTING TO BUILD A NEW NUCLEAR POWER PLANT. OUR SHAREHOLDERS WILL MAKE ME SAY THAT PROBABLY A THIRD TIME. AND IN TEXAS WE'RE LOOKING AT POSSIBLE SITES BECAUSE TEXAS HAPPENS TO BE AN ATTRACTIVE AREA BECAUSE THEY NEED BASE LOAD GENERATION. SO WE ARE LOOKING AT POSSIBLE NUCLEAR PLANTS IN TEXAS, BUT WE HAVE NOT COMMITTED TO BUILD A NUCLEAR PLANT. HAVE YOU GOT IT? LET ME GO TO THE NEXT ONE VERY QUICKLY. NUCLEAR DESIGNS. THE REASON WHY THIS IS IMPORTANT IS THESE ARE THE DESIGNS THAT ARE BEING TALKED ABOUT. WE HAVE COMMITTED TO THE GE-HITACHI DESIGN FOR OUR TEXAS OPERATION SHOULD WE GO AHEAD. BUT WE'VE NOT COMMITTED, RIGHT. YOU'VE GOT THAT. BUT MANY OTHER DESIGNS ARE BEING CONSIDERED BY A RANGE OF OTHER COMPANIES WHO HAVE BEEN TALKING ABOUT NUCLEAR POWER PLANTS. SO, IN CLOSING, WE ARE ACTIVELY ENGAGED IN THE CLIMATE CHANGE DEBATE. WE ARE MANAGING OUR OWN EMISSIONS, AND WE'RE REDUCING THEM PRETTY DRAMATICALLY. WE HAVE BEEN ADVOCATING FOR FEDERAL LEGISLATION, AND WE BELIEVE THAT WE HAVE BEEN IN THE VANGUARD OF COMPANIES WHO WILL DECIDE HOW CARBON LEGISLATION WILL LOOK GOING FORWARD, AND WE THINK THIS IS ALL NECESSARY IN ORDER TO BE READY FOR WHAT WE THINK IS AN IMPERATIVE, WHICH IS A LOW-CARBON ENERGY FUTURE. THANK YOU.