

**Written Remarks of John W. Rowe, Chairman, President, and CEO, Exelon Corporation
Wisconsin Legislative Council Special Committee
Madison, Wisconsin
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Chairman Montgomery, members of the Committee

Thank you for including me in this important discussion about Wisconsin's energy future

I appear here both as a Badger, just over from the Wisconsin Alumni Research Foundation, and as the head of the nation's largest nuclear utility

Much has changed in the nuclear industry since Wisconsin adopted its moratorium on nuclear construction

- **In 1983, the industry and the nation were still reeling from the near tragedy at Three Mile Island in Pennsylvania**
- **Nuclear construction costs were skyrocketing as federal and state regulators reacted to the obvious safety concern**
- **Unit performance was at best indifferent, as the industry tried to come to grips with a very different generating technology**
- **And oil and gas prices were finally dropping in the aftermath of the Arab Oil Embargo**
- **PSC Chairman Cicchetti here in Wisconsin was among the first to recognize that too much nuclear was being built, at too great a cost**
 - **Under his leadership, PSC discouraged further development, but treated utilities fairly on cancelled plant**
 - **Until recently, Wisconsin consumers enjoyed relatively low rates as a consequence**

Today, however, the nuclear industry's performance has dramatically improved

- **Nuclear generation enjoys a safety record that any industry would envy**
 - **In 2005, the industry had the fewest planned scrams since industry began collecting data**

- **Radiation exposure levels for workers are well below federal standards - less than 25% of the average levels 20 years ago**
- **One of the safest industrial environments anywhere, according to the Department of Labor**
- **Nuclear operational performance is truly exceptional – average industry capacity factor exceeds 90%**
 - **Past three years, the capacity factor of Exelon’s 10 stations has averaged 93.5%**
 - **This summer, we set a company best capacity factor of 98.1%**
- **And our existing nuclear fleet is far and away the most economical form of base load generation in the country**

And the world has changed as well

- **Fossil fuel prices, oil, natural gas and even coal, have again skyrocketed in response to unprecedented world wide demand**
- **Domestic supplies have dwindled**
 - **We are increasingly dependent upon foreign regimes, often hostile, to heat and light our homes**
 - **We have young men and women dying in Iraq**
- **And we are increasingly concerned about the pressing reality of global climate change – and I do think this issue is real**

Over the past four years, I have served as a co-chair for the National Commission on Energy Policy, a bipartisan group of energy and environmental experts

- **A self-important name for a diverse group of energy and environmental advocates – 3 greens to every smoke stack**
- **Group came together to consider both our future energy security, and environmental sustainability going forward**
- **In December 2004, the Commission released its final report, entitled “Ending the Energy Stalemate – A Bipartisan Strategy to Meet America’s Energy Challenges” (Copies of the report have been made available to Staff)**

- **The Commission recommended adoption of a mandatory, economy-wide, intensity-based tradable permit system for GHG emissions, not unlike the one that has reduced the cost of SO₂ and NO_x compliance**
- **The Commission also stressed the need for more stringent CAFÉ standards**
- **But perhaps most importantly, the report also recognized that solving climate change meant more than imposing another environmental regulation**
- **It also means assuring that affordable low-carbon energy alternatives are available to consumers**

And there is no one technological solution

- **For the near term, natural gas remains the principal bridge from where we are to where we need to be**
- **We undoubtedly need to do more on energy efficiency**
 - **At Exelon, we are aggressively pursuing new standards, both mandatory and voluntary (i.e. 3% annual savings goal, LEED platinum headquarters, etc), as well as demand response and efficiency subsidies for low income customers**
 - **We believe that efficiency has very large economic potential**
- **Renewables are unquestionably part of our energy future**
 - **But we must recognize that wind isn't dispatchable, landfill gas is limited, and solar isn't yet economic**
 - **Renewables have potential, but that potential is not large at today's prices**
- **New clean coal technologies offer promise**
 - **But costs are uncertain, and sequestration remains untested**

And then we must come to terms with nuclear energy

- **Like it or not, nuclear power today supplies the vast majority of the world's low carbon energy**

- Existing plants are safe and efficient
- And the next generation promises to be more passively safe, more efficient, and hopefully much less expensive to construct
- If we are to ensure our continued energy security, and successfully address climate change, I deeply believe that we will need at least 25-30 new reactors by 2025

Now having said that, you might conclude that I have come to persuade you to immediately lift the moratorium, and let me begin building new nuclear facilities

- But you would be only partially correct

While I would certainly favor lifting the moratorium, I sincerely doubt that Exelon, or anyone else for that matter, will be building a new nuclear facility here in the Midwest anytime soon

- As a practical matter, there is little near term need for new base load generation in the region, and current market prices would not sustain construction in any event
- Moreover, we still do not have a workable solution to the used fuel problem
 - We at Exelon continue to believe that Yucca Mountain is a viable and necessary permanent disposal site for by-product materials – but it is not moving
 - And we applaud the President's long-term vision for advanced recycling technologies, but they are years away
- And we still do not have a bipartisan consensus supporting the construction of new facilities

I believe that construction will proceed in other regions

- I fully expect that we will see 3 or 4 new units announced in the next few years, but largely in the red states, where political and public acceptance is greater
- Exelon itself holds out that possibility if the used fuel issue can be resolved

But until we have a bipartisan consensus that nuclear is needed here in the Midwest to assure our energy security and to address climate change, Exelon would be very reluctant to proceed

- **Keep in mind that our predecessor companies lost between \$5 and \$10 billion during the last round of construction**

It is critical, however, that we continue the dialogue, and begin to build that consensus going forward

That is why I applaud the work of this Committee, and your determination to look at the issue of nuclear generation anew

- **In the end, I am confident that nuclear must play an important role in our energy future**
- **And personally, I would be very pleased if my home state, which was among the first to question continued nuclear investment in the 70s and 80s, now became among the first to revisit the issue in a Post 9/11, post climate change world**