Outline for John Rowe's Keynote Speech at American Council for an Energy Efficient Economy
Fifth National Conference - Energy Efficiency as a Resource
The Drake Hotel, Chicago
8:45 AM, Monday, September 28, 2009

Thank you, Val [Jensen].

I'd like to talk to you this morning a bit about where energy efficiency has been and where it may be going.

A proponent of energy efficiency for nearly 26 years as a CEO in this industry.

I started at Central Maine where we promoted energy efficiency

Customer tour with Maine legislators to show them customers who took advantage of energy-efficiency programs

Again at NEES (North Eastern Electric System) – Massachusetts Incentive System

Partnership with the Conservation Law Foundation was one of the first major collaborations with the environmental community

Profit incentives for utilities promoting energy efficiency – need to recover costs and investments

"The rat must smell the cheese."

Remains as good a model as any.

Emphasis on energy efficiency has continued at Exelon.

In August of 2008, released *Exelon 2020*, our plan to reduce, offset, or displace 15 million metric tons of greenhouse gas emissions each year by 2020.

Equal to our 2001 carbon footprint.

An impressive accomplishment for a utility.

The most comprehensive and innovative plan of its kind in the industry.

As of the end of 2008 we had reduced our emissions by nearly 6 million metric tons – roughly one-third of the way to our goal. It shows that this goal can be accomplished.

Visit our website – www.exeloncorp.com – where you can find a copy of the plan and outlines of our progress to date.

Heart of Exelon *2020* is an economic analysis of how to abate our greenhouse gas emissions at the lowest cost.

All options are ordered on a price curve.

Gives us a roadmap to eliminate our footprint by doing the cheapest things first.

Not a surprise that the steps we took first – the cheapest and best options – were related to energy efficiency.

A large part was improving our own energy efficiency.

Renovated our headquarters to achieve LEED Platinum certification – the highest honor.

Utilized recycled components, installed EnergyStar rated appliances, emphasized natural light to reduce lighting requirements.

Result was reduced energy consumption by 50%.

Remains the largest commercial office space renovation in the world to receive LEED Platinum status.

Three other facilities built to LEED specifications, including a new administrative building at Clinton nuclear power plant in IL.

Part of an initiative to reduce energy consumption at our commercial buildings by 25% by 2012.

Have done the low-hanging fruit, and reaching the target would cost in the neighborhood of $25 million.

But we believe that these are projects with fast paybacks, and we are focused on getting them done.

Exelon 2020 also focuses on helping our customers and the communities we serve reduce their emissions.

ComEd and PECO are implementing a portfolio of energy efficiency and demand response programs.

- Plan to spend $290 million per year over the next five years.
- Aim to help our customers reduce their energy consumption by more than 3.7 million megawatt hours and reduce peak load by 388 megawatts.
- ComEd worked with the ICC, the attorney general's office, and environmental and consumer advocacy groups to pass efficiency legislation.
- ComEd's energy efficiency portfolio, *Smart Ideas,* celebrated its first anniversary this summer.
  - Exceeded its megawatt hour savings goal by 23%, came in under budget by 14%, and saved 204,000 megawatt hours – enough to power 21,000 typical homes for a year.
  - May not be big by some standards, but our savings targets double and triple over the next several years.
- PECO filed its energy efficiency and demand response plan in July, and is awaiting approval from the PAPUC.

ComEd and PECO are experimenting with innovative technology and pricing programs.

- Over 6,000 ComEd residential customers have signed up for real-time pricing, permitting them to reduce or shift their energy consumption.
  - Largest program of its kind in the country.
- ComEd plans to spend ~$300 million over the next three years on smart grid technology.
  - Installation of as many as 320,000 smart meters
  - Smart Grid improvement projects – have applied for DOE economic stimulus funds

And perhaps the most in-depth exploration of customer interaction with new technology, testing 20 combinations of technology and dynamic pricing.

PECO already has one of the largest fully automated meter reading systems in the country, and intends to upgrade to two-way smart meters for up to 1.6 million customers.

To address climate change, we need effective carbon legislation with a concerted focus on energy efficiency.

It is essential that our response put a price on carbon.

Essential to encourage low carbon investments and discourage high-carbon investments.

Also essential because without one we won't do the cheapest things first. Cap and trade will cost money but the alternatives will cost more.

Perfectly illustrated by a poll by Resources for the Future.

Our current approach to climate frequently chooses the most expensive options first.

Renewables standards have been in vogue at the state level, and we will likely have a federal standard soon.

Waxman-Markey will likely encourage an even greater amount of wind generation.

Yet *Exelon 2020* indicates that wind isn't economic on an unsubsidized basis without carbon prices of $50-$75 per metric ton.

<u>We must have a market-based system that forces us to do the cheapest things, like energy efficiency, first and the other items in merit order.</u>

Doing otherwise will impose great costs on American energy consumers.

And done right, carbon legislation can be a tool to promote even greater energy efficiency.

Exelon is exploring ways to create a market mechanism for energy efficiency such as getting credits for ee programs, perhaps defining them as a domestic offset.

A market incentive will be more effective than any government standard or prescriptive program.

Once again, the rat must smell the cheese.

It is essential that our response include a robust cost-containment method.

A fragile economic recovery has likely begun – a remarkable fact given the state of the credit markets twelve months ago.

Addressing climate change will not be costless, and we need to take steps to prevent energy price volatility and extreme increases.

The Waxman-Markey bill contains a reasonable cost control mechanism.

But we should continue to evaluate the effectiveness of other cost containment mechanisms, like price collars.

Finally, it is essential that our response incorporate competition and the power of markets.

Some see carbon legislation as just another issue they can use as a cudgel against President Obama.

In the short term they may be right.

But the EPA has received license from the Supreme Court to regulate CO2 as a pollutant.

If Congress doesn't act, the EPA will.

The result will be more arbitrary, more expensive and more uncertain for investors and the industry than a reasonable legislative solution.

I am disappointed that that Congressional Republicans and business groups can't recognize this reality.

Because of their stridency against carbon legislation, Exelon has decided not to renew its membership in the US Chamber this year.

The danger in command and control is that no one really knows what the final technological solutions will look like.

Since we prepared the initial *Exelon 2020* analysis, economic growth has slowed and natural gas prices have plummeted

Technologies that once looked attractive now look less so, while others have improved.

And therein lies the danger of choosing an option based upon a snapshot in time.

Be very wary of anyone who says “I have seen the future and it works.”

We need markets give us feedback and allow adaptation. Markets encourage competition, lowest-cost options first and innovation.

An exciting time for our industry and for proponents of energy efficiency.

Breakthroughs on climate change and improving our society’s energy efficiency are within reach.

We must be mindful of the ways in which energy efficiency can be a resource to help meet our energy needs.

And we must remind policymakers for whom renewables appear to be a far sexier option.

We must keep our focus on the costs and ensure that we are doing the cheapest things first.

We must have the continued cooperation of policymakers to ensure that doing the cheapest things first does not undercut our financial health.

And we must continue to work hard to pass cap-and-trade legislation that will rationalize the costs of our options across our economy.

I am grateful for all your advocacy on those efforts in the past and in the months to come.