

**U.S. Environmental Protection Agency (EPA) Public Hearing:
“EPA’s Proposed Mercury and Air Toxics Rule”; 76 FR 24976**

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Good afternoon. My name is Bruce Alexander, Environmental Regulatory Strategy Director with Exelon Corporation, and I am pleased to be here today to provide you with Exelon’s initial views on EPA’s proposed “Air Toxics Rule”.

By way of background, Exelon Corporation is comprised of three major operating companies. These include:

- Exelon Generation Company, LLC, which owns and operates over 25,000 Megawatts (“MW”) of nuclear, coal, wind, hydro, solar, gas and oil-fired generation comprising the nation’s fifth largest generation fleet;
- Commonwealth Edison Company, an electric utility serving over 3.8 million customers in northern Illinois; and
- PECO Energy Company, an electric and gas utility serving almost 1.6 million customers in southeastern Pennsylvania.

Exelon Corporation supports the policy objectives underlying EPA’s proposed Air Toxics Rule and believes that the proposed rule is balanced, reasonable and long overdue. Like many other companies in our sector, we have made investments in clean generation because we have known for over twenty years that the rules were coming.

The nation has both a significant need and opportunity to move to cleaner sources of electric generation. Rising health care costs and other economic costs exacerbated by toxic air emissions make it imperative to move towards cleaner generation. The proposed rule will reduce risks to human health and the environment while at the same time inducing investment in a modern generation fleet that will provide the basis for long term economic health for the nation and industry. It is a win-win situation.

Some claim that the power industry is monolithic and that we all think that EPA has run amok. That is simply not true. While some companies want to delay the rules hoping to squeeze a few more years of profit from plants that have no pollution controls, many companies have already made pollution control investments and are prepared to work with EPA. The deadlines are no surprise to any of us. When President Bush signed the Clean Air Act amendments in 1990, the entire industry knew that EPA was moving towards establishing federal standards for toxic pollutants like mercury, selenium, arsenic, and hydrochloric and sulfuric acid from power plants. In fact, in December 2000, EPA shared health studies with the industry which confirmed the need to move quickly to establish limits on these emissions.

While some may want to politicize the rules and claim that EPA is moving too quickly, the fact is that the rules are long overdue and everyone knows it. Many plants have already installed advanced pollution controls. For instance, 60% of the nation's coal capacity has already been retrofit with scrubber controls for SO₂. Among baseload coal units greater than 400 MW, 70% have installed scrubbers. FERC Commissioner John Norris said it best at the May 4th annual Energy Bar Association conference in Washington D.C.: "This wasn't hatched overnight." Despite this, some companies have chosen to do little or nothing.

Now, let me specifically address three issues that often come up in this debate: electric system reliability, timing and electricity costs.

First, nothing about this rule will jeopardize the reliability of the electric system. PJM, the nation's largest integrated power operator, just confirmed last week that its system will have more than enough electricity supply even after the Toxics Rule takes effect. In August 2010, Sue Tierney, former Assistant Secretary for Policy at the U.S. Department of Energy, studied the expected impacts of the rule and found that the industry is well-positioned to respond to EPA's proposed Toxics Rule without threatening electric reliability. FERC and NERC have indicated that the rule can be implemented without affecting reliability. Likewise, if a plant is in a location on the grid where it is needed for system reliability, then it should get more time to operate to maintain reliability while controls are installed.

However, let me make this clear – and it is very important – if a unit is needed for reliability and gets an extension, EPA should condition that extension upon a commitment that the unit will only operate when it is needed. Extensions that are based on reliability needs should not open the door for owners to run the units even when there is no such reliability need. As FERC Commissioner John Norris said, “There shouldn't be an expectation to bend over backwards for folks who haven't been attentive and addressed this issue already, or at least planned for this issue.”

Second, the experts think that there is enough time to comply between now and January 2015 when the rule is expected to take effect. I commend to your reading a detailed study prepared by URS Corporation, a well-respected engineering and design company, entitled “Assessment of Technology Options Available to Achieve Reductions of Hazardous Air Pollutants” which was released last month.¹ URS concluded that pollution control technologies to satisfy EPA's proposed standards are available and can typically be installed in less than three years. But the real proof is in the pudding. We know we can install controls in three years because many plants have already done it in that timeframe. And, if there are unique circumstances where a plant requires more time to install controls, then EPA already has said it will give that time.

¹ Copy attached: “Assessment of Technology Options Available to Achieve Reductions of Hazardous Air Pollutants,” URS, April 5, 2011. <http://www.supportcleanair.com/resources/studies/file/4-8-11-URSTechnologyReport.pdf>

Lastly, let me talk about electricity costs. Adjusted for inflation, we expect that the price for electric generation charged to customers in 2015 will be less than, or equal to, the price charged in 2010 in both Chicago and Philadelphia. The reason is simple. While environmental costs may increase costs for certain operators, fuel costs to the run the gas-fired plants on the system have tumbled, driving down electricity prices. Our Nation's discovery of new natural gas deposits from shale is the most significant event in the electric generation business in the last 25 years. It has ushered in a new era of low prices that more than offset any increases for environmental compliance in many parts of the country.

Thank you for considering Exelon's initial comments on the proposed Toxics Rule. We look forward to submitting more detailed written comments to the docket by the close of the public comment period.

I would be pleased to answer any questions that you may have.