

Remarks As Prepared

**John W. Rowe, Chairman and CEO, Exelon Corporation
On Leadership
Bipartisan Policy Center
November 9, 2011**

Introduction/ Grace Notes:

Thank you, Jason, for your kind introduction. It is always a pleasure to be introduced by such a good friend.

It is a bit off-putting to be the inaugural speaker in the Bipartisan Policy Center's "On Leadership" series, given that we are in a town literally crawling with leaders – some of whom are in the audience today – and I am just a workaday utility executive. I am reminded of the school boy who yelled at his classmates, "Everybody who wants to be a leader, follow me."

I have been a utility chief for 28 years, though – running companies in Maine, New England and Illinois and Pennsylvania. I've run companies in economic boom times and recessions, in regulated states and market states.

Throughout my career, I have seen good leaders and bad, both within my sector and others, including this town. And I have given much thought as to what makes a good leader. What do they do that others do not? My observations work for any institution with long-term commitments. They overlap to a large degree with leadership documents used in the military and in education. My favorite "management" book is "Lincoln and His Generals" by T. Harry Williams.

Leadership Traits

I find six attributes for a successful leader, applicable to most companies, most organizations or even government most of the time.

First, an unflinching commitment to learn all there is to learn about the organization and its mission, with a certain recognition that there is always more to learn.

At one of our management development programs for high potential vice presidents, we produced a list of 25 acronyms from across the company and gave them a quiz.

The average VP knew 10.

Maybe it is an indication that we have too many acronyms.

But also an indication that there is always more to learn.

You have to know your business in your head.

My best leaders read voraciously and seek out the experts to learn what they don't know.

You have to know it in your hands also.

Know it like a potter knows clay.

You have to know it like Twain's riverboat pilots knew the shoals of the Mississippi.

In "Life on the Mississippi," he wrote, "I had got to learn the shape of the river in all the different ways that could be thought of – upside down, wrong end first, inside out, fore-and-aft, and 'thortships" – and then what to do on gray nights when it hadn't any shape at all."

Second, a passionate commitment to action, recognizing that you almost always lack sufficient information on which to act.

Phrased another way, better a moving turkey than a sitting duck.

You can drown yourself in information and you still won't know enough to make a perfect decision.

You rarely have enough information and you rarely have all of the correct information.

But you cannot use this as an excuse to do nothing.

Third, a personal appreciation and regard for all of the individuals who make up the organization, even as you struggle to optimize the workforce and change the culture.

You have to know what's wrong with the culture while knowing what's right about the people who make it up. We all bleed alike.

The best example is turning around the ComEd nuclear fleet, going from 50 percent capacity factor to above 90 percent, changing some of the people but mostly changing the culture.

Be committed to diversity and have some humility in our roles as leaders.

Always remember the core value of respect.

Fourth, a total commitment to the organization, its vision, and its values.

We are all better off if our ambition for our group or company supersedes or ambition for ourselves. We have too many examples to the contrary in both business and government.

I tell my aspiring managers that to become a top leader in the company, you need to be willing to bleed for the company, all within proper ethical constraints.

Fifth, have confidence in the future and certainty of success, despite the harsh realities of the present.

This is called the Stockdale paradox, based on the brutality Admiral James Stockdale faced while a prisoner of war in North Vietnam.

When asked about his coping strategy, he said – “I never lost faith in the end of the story, I never doubted that I would get out, but also that I would prevail in the end . . .”

This principle is always relevant.

No matter how bad things seem, you must always find confidence in your future.

Sixth and finally, lead somewhere that is worth going.

And make sure your people understand why you think your strategy is worth pursuing.

In our company, I thought striving to be the biggest and best utility was challenging enough. But the employees were less convinced.

Exelon 2020 gave us a direction that our employees find compelling.

Exelon 2020

In 2008, we announced that as a company we were going to reduce, offset or displace our entire carbon footprint by 2020.

In just three years, we have reduced our carbon footprint by 6.3 million tons, or 56 percent of our goal, and will meet it ahead of schedule.

Since adopting Exelon 2020 in 2008, we:

Will have retired four inefficient, old fossil plants by May 2012.

Have increased our existing nuclear generating capacity by approximately 190 megawatts. When finished we will have increased our generating capacity by up to 1100 megawatts – the equivalent of a new plant at half the cost. Nuclear is the only source of baseload power that is nearly emission-free.

Have reduced energy use at our commercial buildings by 25.2 percent and have 10 LEED-certified facilities, including our headquarters in Chicago.

Purchased a wind company adding 735 megawatts of wind to our portfolio and acquired a 230-megawatt solar photovoltaic project under construction in California.

In 2010, we helped our customers avoid more than 728,000 tons of greenhouse gas emissions through our energy efficiency programs.

But, Exelon 2020 is much more than a carbon goal. It serves as our resource plan, as a guide to our investment decisions and as our framework for public policy advocacy.

It considers existing and potential energy policy to create a long-term advantage for the company.

It tells us which actions provide our customers with reliable, clean energy at the lowest cost.

Each year, we develop a supply curve to show the costs of various supply technologies taking into account current market conditions. In the past, this curve has been primarily focused on options for reducing greenhouse gases.

This year we expanded the curve to include options for reducing other pollutants (NOx, SO2 and toxics).

We modeled four scenarios for PJM (the market we operate in). Each was examined for compliance with the Clean Air Act, ensuring reliability, keeping costs affordable and making progress toward cleaning up the stack.

In each scenario, the horizontal axis of the curve represents generation in terawatt hours. The width of this bar in each scenario reflects the reliability implications of opting for more intermittent resources (technologies that don't run when the sun doesn't shine and the wind doesn't blow).

The vertical axis reflects the levelized cost of energy represented in each of the curves.

The first scenario, we call the Sweet Spot. [See slide 2 below.] The Sweet Spot reflects the fact that properly designed competitive markets will ensure that the stack is cleaned in the most effective manner. No new mandates or subsidies are needed, only that EPA Clean Air Act regulations go into effect.

In this scenario, the oldest, least efficient, biggest polluting coal and oil-fired plants retire – due to the economics of cheap natural gas and the costs of installing long-overdue emissions controls.

The power that is lost from these plants is mostly replaced by existing gas plants which are currently running well below full capacity. Nuclear uprates (i.e., getting more power from existing plants) and energy efficiency make up the remainder of retiring fossil capacity.

Although coal retires, coal is not killed. 25 gigawatts install new environmental controls to add to the 44 gigawatts that are already controlled.

It shows that more generation (other than uprates) isn't needed until late this decade given current energy efficiency programs, modest load growth and existing renewable portfolio standard mandates.

It also shows that while complying with EPA regulations is not without cost, it can be done at prices that are still very reasonable and can be done without sacrificing reliability.

The Sweet Spot's prices are about \$12 per megawatt-hour higher than where the market is currently trading in today's dollars. This is far less than the National Research Council's finding that the societal cost of pollution from NOx, SO2 and particulates is \$120 per megawatt-hour – for the dirtiest plants, the ones we assume will shut down in this scenario.

The Sweet Spot reduces carbon dioxide by 40 million tonnes from business as usual.

King Coal [*See slide 3 below.*]: Assumes that all coal plants, including the ones that don't make economic sense, are retrofitted with scrubbers or other technologies to comply with the Clean Air Act. It assumes that the cost of these pollution control technologies are subsidized by including them in the rate base.

This would come at a much greater cost – \$100 per megawatt-hour versus near-term forwards at PJM West Hub of ~\$55 per megawatt-hour (both in today's dollars).

Keeping this generation online results in \$1.5 billion in additional costs for PJM consumers compared to the Sweet Spot.

In terms of carbon, King Coal emits 30 million tonnes more carbon dioxide than the Sweet Spot.

Our other two cases, Big Wind and Playing Favorites examine whether it's possible to clean up the generation fleet without more environmental controls on coal and oil. [*See slide 4 below.*]

Each scenario assumes that EPA regulations are not in place, but that policymakers try to reach the clean air goals of the regulation through other policy mechanisms – specifically a renewable portfolio standard in one case and a clean energy standard in the other.

Big Wind advocates the subsidized construction of wind with the hope of either displacing or forcing the retirement of enough existing coal generation to meet the Clean Air Act objectives. In other words, a 25 percent renewable electricity standard.

Playing Favorites assumes a mandate of portfolio options commensurate with a 25 percent clean energy standard.

The analysis shows that neither of these scenarios would comply with the Clean Air Act. SO₂ and toxics levels are much higher and come at much higher costs to consumers.

Big Wind costs consumers \$15 billion annually – a 325 percent increase over the Sweet Spot, and Playing Favorites an additional \$10 billion – a 285 percent increase.

Although each scenario reduces 90 million tons more carbon than the Sweet Spot, it comes at great cost to the consumer – \$125 per tonne for Big Wind and \$110 per tonne for Playing Favorites. In comparison, the Waxman-Markey cap and trade bill was estimated to cost between \$15 and \$25 per tonne.

And in each scenario, although some coal retires, uncontrolled fossil generation remains in the supply – 26 gigawatts in Big Wind and 15 gigawatts in Playing Favorites.

The Sweet Spot, which allows the market to work within a frame of environmental regulation, is clearly the best scenario from cost, reliability and clean standards.

Exelon 2020 is leading somewhere worth going. No other utility has anything like Exelon 2020. And no other utility is as prepared to meet the environmental challenges of air and carbon pollution as we are.

Conclusion

In closing, let me suggest that truly successful leaders are active inside their business and outside it.

I have been active on energy and environmental policy throughout my career. In 1992, I first testified in favor of a carbon tax and have testified several times on the subject.

I co-chaired the National Commission of Energy Policy – the precursor to the Bipartisan Policy Center. I believe the Bipartisan Policy Center is leading somewhere worth going.

And I currently serve on Secretary Chu's Blue Ribbon Commission on America's Nuclear Future.

You must also be a civic leader, and this is especially true of a utility company leader.

The founder of ComEd and my predecessor, Sam Insull said, "Unless you can so conduct your business as to get the good will of the community in which you are working, you might just as well shut up shop and move away."

I must always think about how well I am serving my customers and the community – both through the business and outside of it.

I have been a vocal supporter of diversity efforts – through our hiring, our giving, and our contracting arrangements. Exelon serves two of the most diverse cities in the country.

I have been personally active in education, helping to found – along with my wife Jeanne, the company and my friend Frank Clark – the Rowe-Clark Academy and the Rowe Elementary School.

I hope you find I am going places worth the trip.

Thank you and I'm happy to take questions.



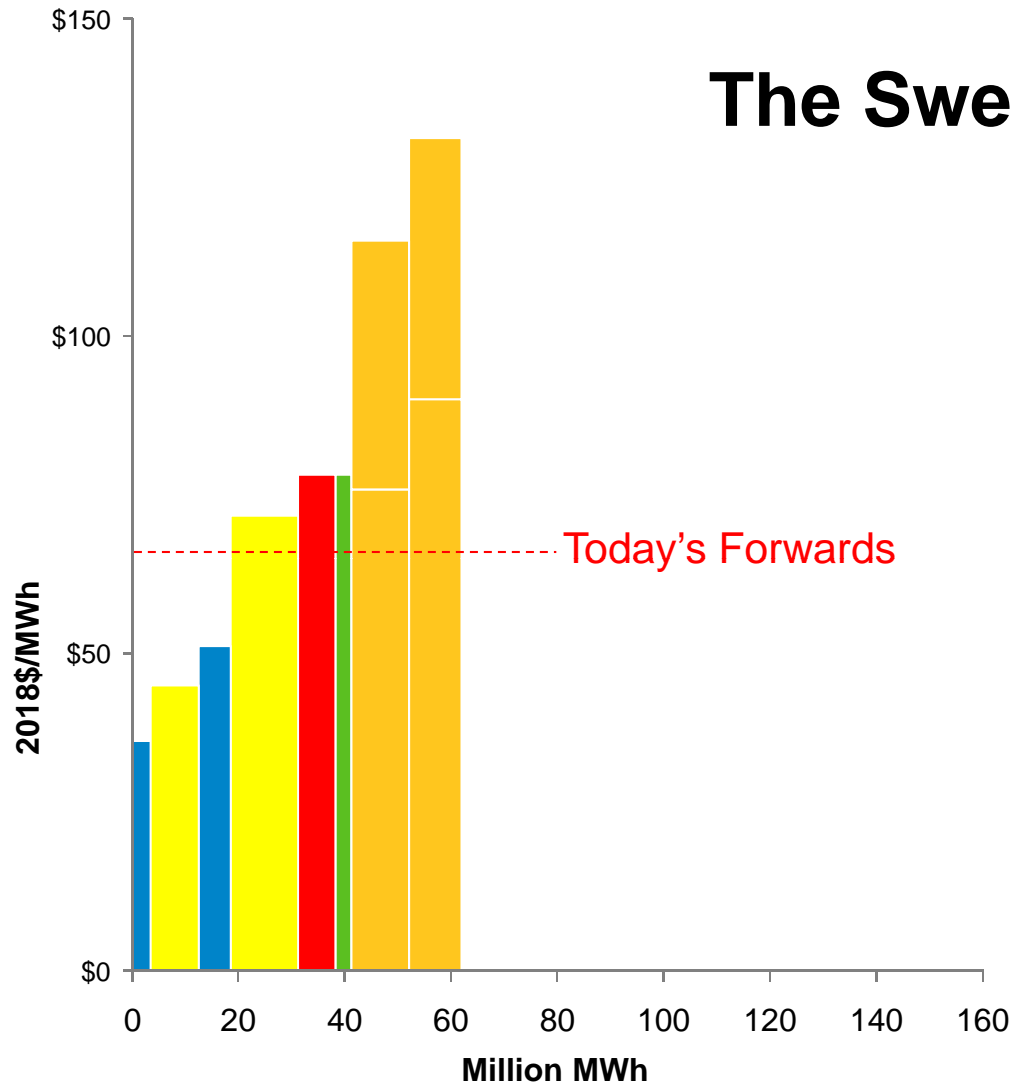
On Leadership

Bipartisan Policy Center

**John W. Rowe
Chairman and CEO
Exelon Corporation**

November 9, 2011

The Sweet Spot

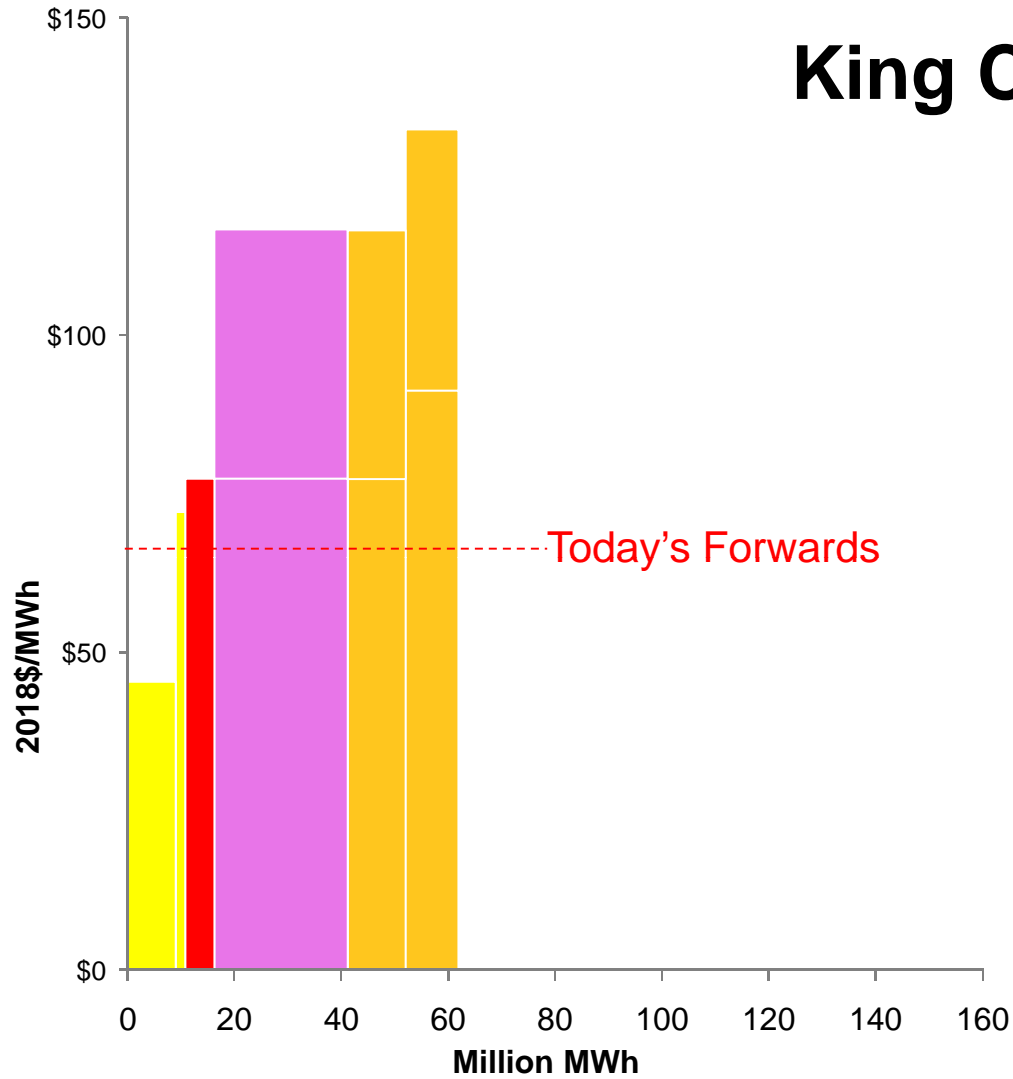


- Nuclear Upgrades
- Energy Efficiency
- Coal-to-Gas Switch
- New CCGT
- On-Shore Wind
- Subsidy

Impact on PJM

NO _x , SO ₂ and Toxics	Clean Air Act Compliant
Coal Impact	11 GW of coal retired
Reliability	10 GW of generation added
Affordability (2018\$)	\$3.5 billion incremental annual cost
Carbon Emissions	440 million tonnes of carbon

King Coal

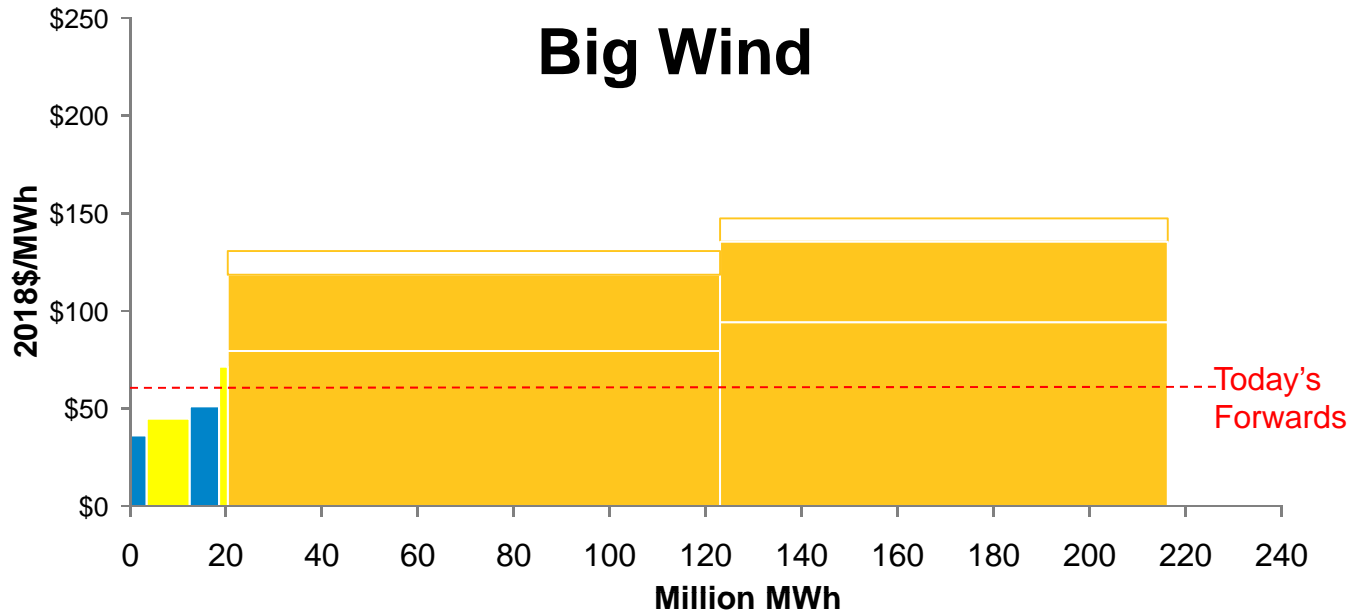


- Energy Efficiency
- Coal-to-Gas Switch
- Coal Retrofit
- On-Shore Wind
- Subsidy

Impact on PJM

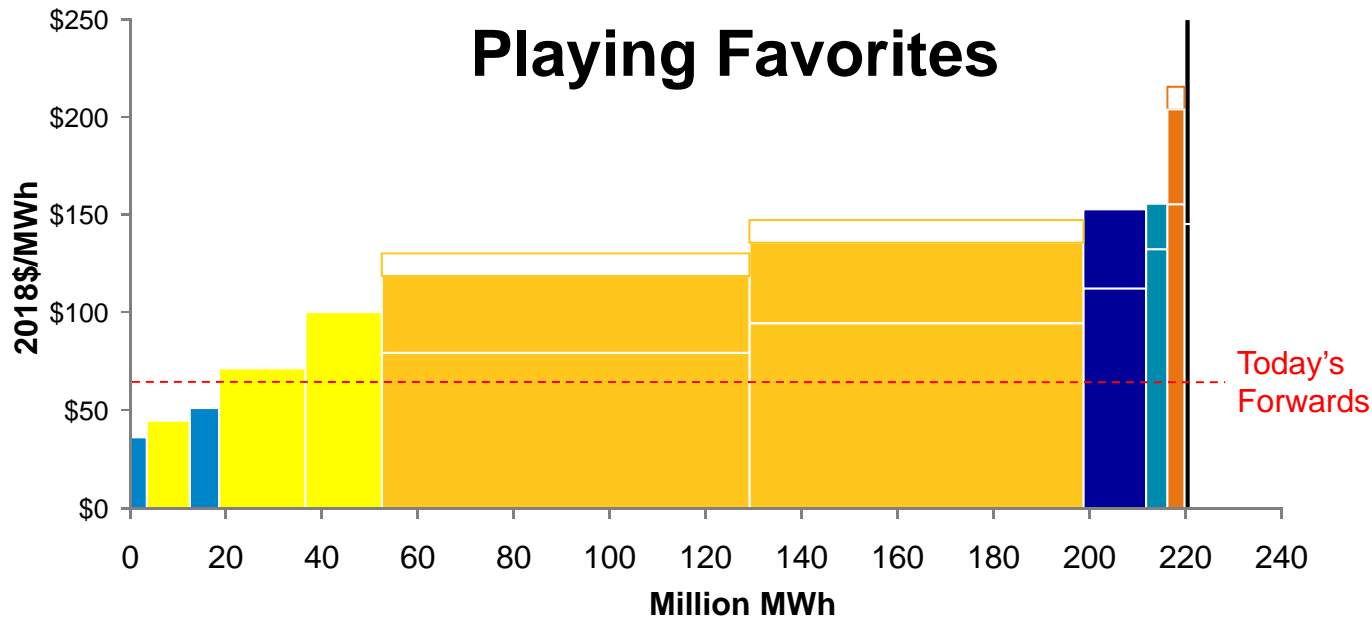
NO _x , SO ₂ and Toxics	Clean Air Act Compliant
Coal Impact	No coal is retired
Reliability	+18.5 GW of generation added or retrofitted
Affordability (2018\$)	40% increase over Sweet Spot
Carbon Emissions	30 million additional tonnes

Big Wind



- Nuclear Upgrades
- Energy Efficiency
- On-Shore Wind
- Nuclear
- Clean Coal with CCS
- Off-Shore Wind
- Transmission Adder
- Solar PV
- Subsidy

Playing Favorites



Both options much more costly and not Clean Air Act compliant