

Remarks As Prepared

John W. Rowe, Chairman CEO, Exelon Corporation 40th Anniversary of the Clean Air Act Sept. 14, 2010

Introduction

Thank you Assistant Administrator McCarthy and Jason for inviting me here today.

The Clean Air Act has been a widely successful program.

It has improved air quality and health in the United States and has cost less than original predictions.

But the work is not finished. EPA is poised to issue regulations that will continue improving air quality across the country and my industry can and should to rise to the challenge.

Industry Needs to Certainty to Invest

The electric power industry is at the crossroads.

It needs to invest over a trillion dollars by 2030 just to keep the lights on.

This figure does not include investments needed to meet the requirements of forthcoming environmental regulations.

Much of this money remains on the sidelines because the rules of the road going forward are not clear.

EPA Regulations

EPA regulations on both traditional pollutants and carbon are imminent.

These regulations, when combined, will improve the quality of the air we breathe and will reshape my industry. They will not, as some claim, destroy it – the lights will reliably remain on for customers.

The transition will be greatly eased by expanding reserves of natural gas and prices which are both lower and more stable than in recent years.

However, the cost of compliance with these regulations will be prohibitive for many smaller, dirty, less efficient coal units.

In fact, companies have already announced the retirement or moth balling of many of these units because even without these regulations it is no longer economic to continue running them.

Earlier this month, Duke Energy, one of the largest coal burners, announced they would retire an additional 890 MW by the end of 2014.

Exelon has announced that we will retire 2 coal plants that are uneconomic today.

Bernstein Research believes that just two of these regulations (Transport and HAPs) would likely result in the retirement of fifteen percent of U.S. coal-fired generation.

Those that don't retire will require pollution control scrubbers to clean their stacks. According to Bernstein, that could affect an additional twenty-seven percent or 509 million megawatt hours of the existing coal fleet.

These requirements will result in a massive new construction program for compliance.

Jobs will be created in constructing new gas plants and renewables to replace retiring coal plants.

And, through installing scrubbers at existing coal plants. According to Industrial Economics, installing scrubbers at power plants will create between 800 and 1,000 jobs per project.

The electricity grid will remain stable and reliable during this transition.

A recent study by the Analysis Group and MJ Bradley Associates found that the industry is "well-positioned to respond" to the EPA's regulations without threatening electric reliability.

Further, an MIT report found that much generation from coal retirements could be replaced by existing, under-utilized natural gas capacity.

Utilities that have already made it a priority to have a clean fleet will be at an advantage when these regulations are implemented. And customers who have already borne these costs should be advantaged also.

There are some in our industry that believe that they can go to the next Congress and have these regulations delayed or stopped altogether. But, the only thing harder for Congress to do than pass a bill is to repeal one.

And, delay of these regulations will simply add to the investment uncertainty, continue to keep capital on the sidelines and won't create a single job – except maybe for lawyers.

Conclusion

With all the regulatory uncertainty, our industry is in a time of great confusion. There is no easy path without regulatory certainty.

An orderly implementation of new requirements, starting soon, is better than doing too much too late.

EPA's regulation of traditional pollutants and/or carbon legislation or regulation will change the way our industry looks in the not too distant future.

The industry has faced the challenges of the Clean Air Act regulations and come out stronger and it is up to the challenge again.