

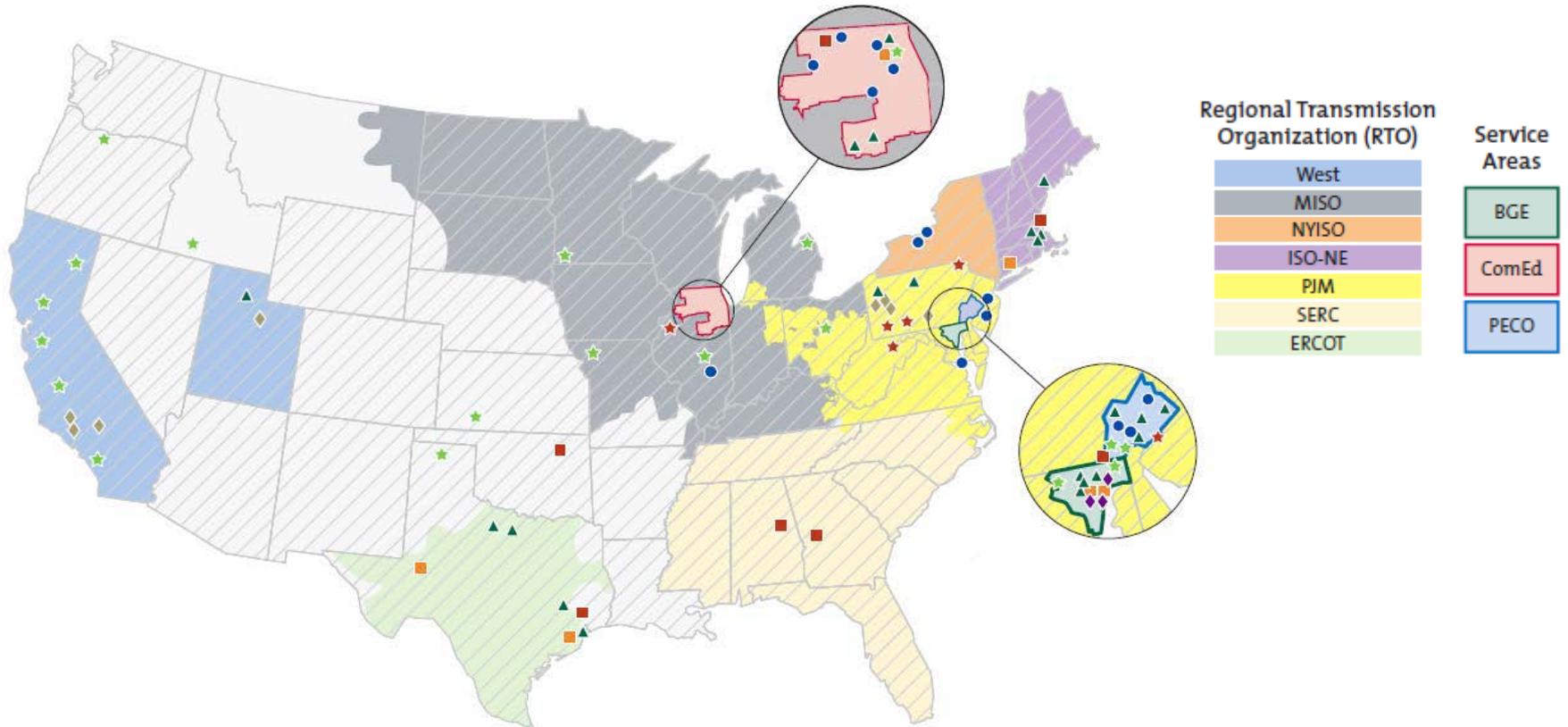
The Wind PTC's Adverse Impacts on the Electric Sector

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Exelon Operates in 47 States and the District of Columbia



Exelon Generation Assets (owned)

- Nuclear
- Gas/Oil intermediate
- ▲ Peakers
- ◆ Coal
- ★ Renewable (Hydro, Wind, Solar, Bio-mass)
- Generation Assets to be Divested
- Assets Contracted

▨ Competitive Retail and/or Gas or Electric Wholesale Operations

Exelon is One of the Largest Electric Utilities in the U.S.

Power Generation

- Largest merchant fleet in the nation (~35 GW of capacity)
- One of the largest and best managed nuclear fleets in the world (~19 GW)
- Significant natural gas generation capacity (~10 GW)
- Renewable portfolio (~2 GW), that includes wind, hydro, solar and biomass

Constellation

- Leading competitive retail energy provider in the U.S.
- Serving ~1.1 M competitive customers and large wholesale business

Exelon Utilities – ComEd, PECO, and BGE

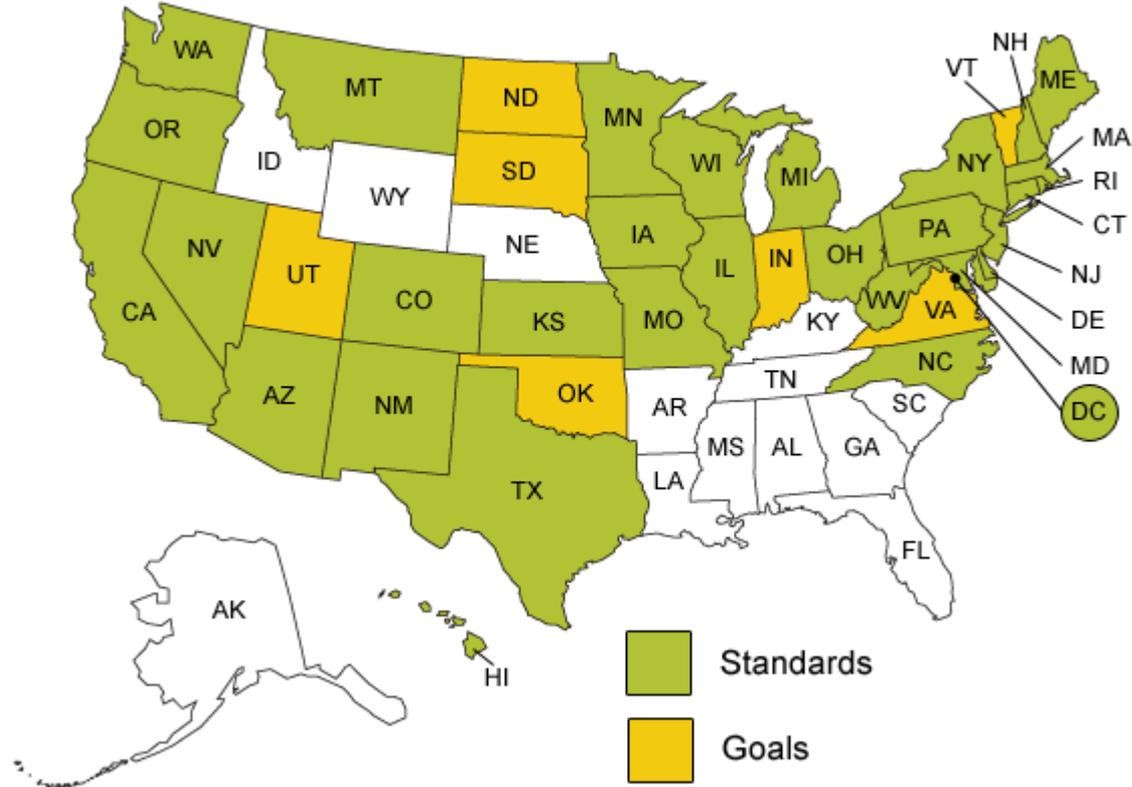
- One of the largest electric and gas distribution companies with ~6.6 M customers
- Operating in Illinois, Maryland and Pennsylvania

Wind Production Tax Credit (PTC) Background

- Under current law, the wind production tax credit (PTC) is set to expire on December 31, 2012, absent Congressional action to extend it.
- The wind PTC was established by the Energy Policy Act of 1992 and has been extended on six occasions since.
- Provides wind energy producers with a 2.2 cent subsidy for every kilowatt hour of electricity generated and sold during its first ten years of operation.
- The PTC has succeeded in jumpstarting the wind industry:
 - It has been in place for nearly 20 years
 - Navigant study for AWEA claims 75,000 direct, indirect and “induced” jobs
 - Over 50,000 megawatts of installed wind capacity
 - Wind has accounted for 35 percent of new generation over the last five years
- Since the PTC was first put in place, 30 States and the District of Columbia have established Renewable Portfolio Standards – requirements that utilities get a certain percentage of their power from renewable resources. To date, 92 percent of these requirements are being met by wind. Much more capacity remains to be built to meet these renewable requirements.

States with Renewable Portfolio Standards

States with Renewable Portfolio Standards (mandatory) or Goals (voluntary),
January 2012



Source: Energy Information Administration

Cost of the Wind PTC

- The wind industry received \$4.98 billion in subsidies in FY2010.
- The Joint Committee on Taxation scored the one year PTC extension adopted by the Senate Finance Committee at \$12.184 billion over the 10 year budget window.
- Even if the PTC is allowed to expire as scheduled this year, there are an additional \$10 billion in tax credits that will be awarded over the next decade for existing plants.
- The full cost of wind is hidden from consumers
 - Construction
 - Back-up Power
 - Production Tax Credit
 - Renewable Energy Credit
 - New Transmission

The Wind PTC Distorts Energy Markets

Wind Power Producers Pay the Market to Run to collect the PTC

- To collect the PTC, wind producers increasingly engage in negative pricing – paying the market to let them run, when there is little demand for their power, ultimately crowding out base load generation like coal and nuclear.
- For example, in western Texas in March 2008, prices were negative 33% of time largely due to wind producers attempting to collect the PTC.
- Because the PTC is worth approximately \$35 per megawatt hour (pre-tax) of electricity produced, a wind producer could pay the market \$10 to take their power and still collect \$25 from taxpayers!
- This threatens around-the-clock base load power producers, forcing them to pay to run their plants as well or to shut down for long periods of the day when their power is needed most.

Crowding out Private Sector Energy Investments

- Oversupply of wind is causing market distortions which is artificially suppressing prices and hampering investments in base load technologies.
 - Investments in traditional energy sources like coal, natural gas, and nuclear are not being
- 6 made because there is a glut of subsidized and intermittent wind in certain areas