

# **Incorporating Carbon Considerations in Business Decisions**

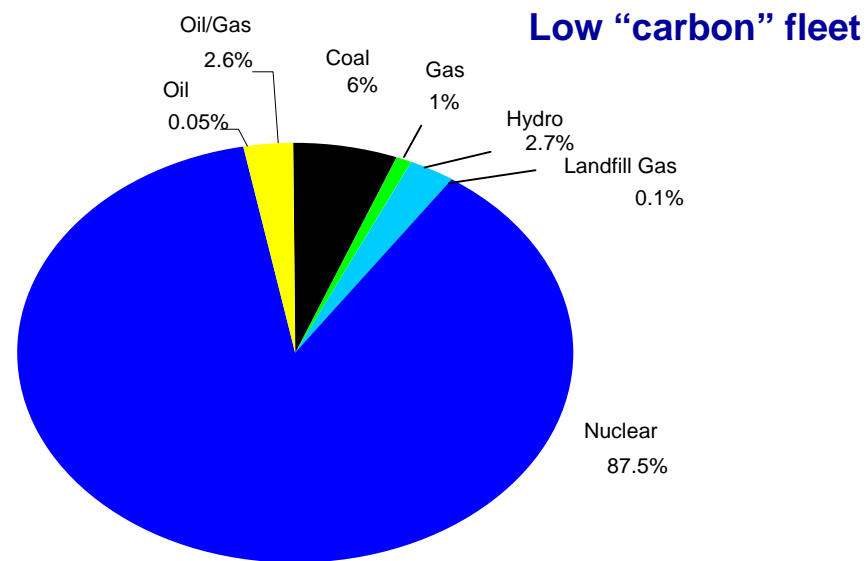
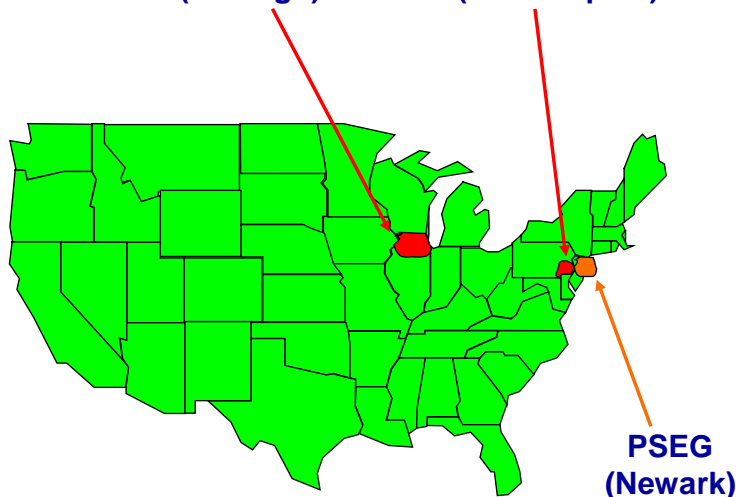
**A Component of Exelon's Greenhouse Gas Reduction  
Strategy and Program**

**US EPA Climate Leaders Partner Meeting  
Yolanda F. Pagano  
January 19, 2006**

# Background on Exelon

- One of the nation's largest integrated electric utilities
  - NYSE Ticker: EXC
  - 2004 Total Assets: \$42 billion (approx.)
  - 2004 Revenues: \$14.5 billion
  - Employees: 17,500 (approx.)
  - Customers: 5.2 million electric, 460,000 gas
  - Generating Assets: 35,000 MW owned and controlled generation
- Announced merger with PSEG in December 2004

Formed in 2000 from the Merger of  
ComEd (Chicago) & PECO (Philadelphia)

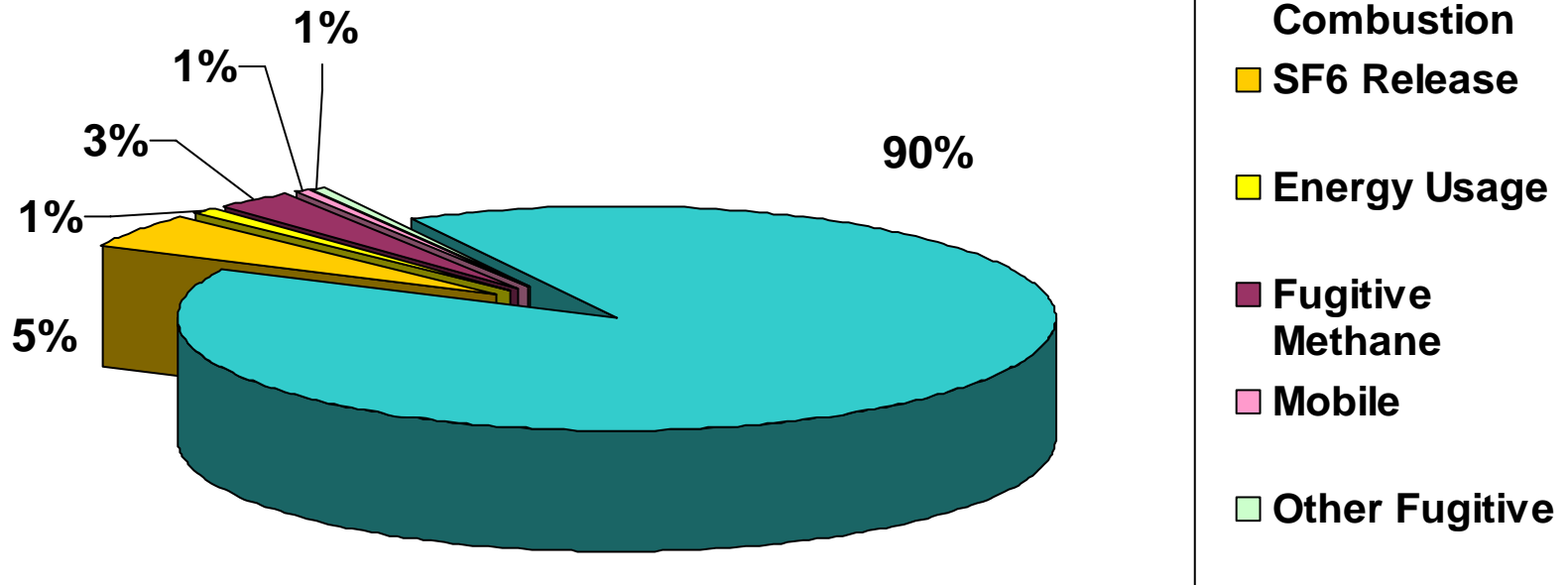


2005 Generation Output Mix  
(MWh-ownership equity)

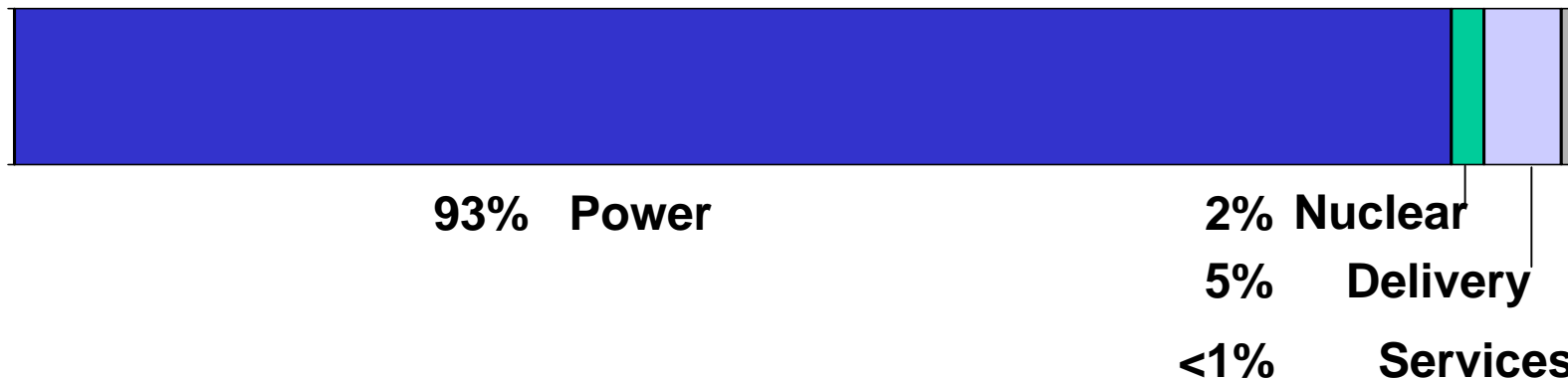


1. Exelon will achieve a reduction of 8% below its 2001 level of greenhouse gas (GHG) emissions by 2008.
  - ✧ 2001 GHG emissions of approximately 15.8M metric tonnes
  - ✧ 8% reduction equates to a 1.3M metric tonne reduction, exclusive of any growth in emissions due to increased output in 2008.
2. Commit to work with, and encourage, suppliers to commit to reduce their GHG emissions
3. Incorporate recognition of GHG emissions and the cost of emissions credits into future business case analyses and long range plans

## Emissions by Type



## Emissions by Business Unit



- ◆ Implement and support GHG-reducing programs
  - ✧ Support economic uprates at our non-GHG emitting nuclear, hydro, LFG plants
  - ✧ Support programs that reduce or offset GHG emissions, e.g., prairie grass sequestration
  - ✧ Identify new programs and leverage other business rationale to fund programs that reduce GHG emissions, e.g., SF6 leakage reduction, internal energy efficiency
  
- ◆ Measure progress towards goal
  
- ◆ Integrate cost of carbon into future business decisions
  - ✧ Include formal evaluation of GHG emissions created or offset in business analyses

- ◆ Recognize value of internal investment
- ◆ Reduce our climate footprint and improve our intensity metric
- ◆ Educate our workforce on the issue
- ◆ Begin to develop a price/cost curve of carbon to Exelon
- ◆ Document the business value of early action
- ◆ Utilize standard business process to capture environmental value

# Program Development

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- ◆ Engage internal stakeholders
  - ✧ Environmental, Engineering, Financial, Trading and Risk Management
  
- ◆ Determine data requirements
  - ✧ Calculate emissions: consistency and level of granularity
  - ✧ Cost of emission reductions: Price to compare is GHG market, however, discovery/forecasting in illiquid GHG market is challenging
  - ✧ Risk sensitivity
  
- ◆ Identify business processes
  - ✧ Four key financial decision points
  
- ◆ Communicate program and provide training

# Incorporate into Process

Process	Purpose
Business Case Analysis	<ul style="list-style-type: none"> <li>✓ Ongoing investment decisions consider carbon impact</li> <li>✓ Educate workforce on source and cost of GHG emissions</li> <li>✓ Keeps goal top-of-mind for those making investment decisions</li> <li>✓ Begin to develop carbon cost curve</li> </ul>
Asset Optimization	<ul style="list-style-type: none"> <li>✓ Quantify carbon risk of each facility</li> <li>✓ Factor carbon risk into longer term investment decision</li> </ul>
Long Range Plan	<ul style="list-style-type: none"> <li>✓ Track progress toward meeting commitment</li> <li>✓ Identify need for program modifications</li> <li>✓ Analyze consequences of new regulatory requirements (e.g., state and regional)</li> </ul>
Long Term Scenario	<ul style="list-style-type: none"> <li>✓ Assess effects of potential future carbon regulation on electricity prices, fuel markets, unit retrofit decisions, and other industry impacts such as preferred new generation technologies, unit retirements and/or pollution control retrofits</li> <li>✓ Determine potential impact on asset portfolio</li> </ul>



- ◆ Develop mechanism to track cost per ton of emission reduction
- ◆ Ensure program achieves least-cost carbon mitigation