

Readying Michigan to Make Good Energy Decisions

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Exelon Corporation: A National Energy Leader

Exelon's 10-year total return since 2001 was outstanding – Shareholders' investments increased by approximately 158%, compared to 118% for the Philadelphia Utility Index and 33% for the S&P 500 Index

Operations in 47 states & Washington, DC

- Serving Michigan with power since 2002

Energy Generation

- One of the largest merchant generators in the nation
- Generating Capacity: ~35,000 MW (2012)
- Operations across seven RTOs

Competitive Energy Sales: Constellation

- Leading provider of Energy Solutions
 - Natural gas; power; load response; energy efficiency; solar installations
- ~ 100,000 business & public sector customers
 - Supplies over 2/3 of Fortune 100
- ~1 million residential customers

Transmission & Distribution Utilities in 3 Fully Restructured States

- BGE (MD) ComEd (IL) & PECO (PA)
- 6.6 million electric customers
- 1.2 million natural gas customers



The Exelon family of companies participates in every stage of the energy business, from generation to competitive energy sales to transmission to delivery.⁽¹⁾



Significant Investment in Michigan

- Constellation, and its predecessor companies have maintained a physical presence in Michigan for over 10 years.
 - Fort Gratiot
 - Southfield (closed after 2008 law enacted)
 - Exelon contributed approximately \$9,939,039 to the state via tax payments in 2011
 - An experienced team on the ground in Michigan (avg. 20 years)
- Major Competitive Electric Supplier to Michigan Businesses (1,922)
 - Largest supplier in Consumers territory for # of customers (539) and MWs (223) served
 - Largest supplier in DTE territory for # of customers (1,393) and second for MWs (306)
 - Active in the market since it opened in 2002
- Major Competitive Natural Gas Supplier
 - 3,750 non-residential natural gas customers
 - 22,400 residential natural gas customers
- History of providing full requirements electric service to various Municipal Electric Utilities and Electric Cooperatives
- Exelon Wind has five wind projects in Michigan: Beebe, Harvest I, Harvest II, Michigan Wind 1 and Michigan Wind 2, totaling 352.6 megawatts (MW)

Exelon Utilities – Restructured and Successful

- Exelon has three regulated transmission and distribution utilities in restructured states with full retail competition
- As part of restructuring, all three utilities divested and/or spun-off 100% of their generation assets and retained their distribution and transmission assets

Chicago, Illinois

ComEd

- 2012 Revenues: \$5.4B
- Employees: ~5,800
- Electric customers: 3.8 million
- Service Territory: 11,300 square miles
- All-Time Peak Load: 23,753 MW

Baltimore, Maryland

- 2012 Revenues: \$2.1B
- Employees: ~3,400
- Electric customers: 1.2 million
- Gas customers: 0.7 million
- Service Territory: 2,300 square miles
- All-Time Peak Load: 7,616 MW

BGE

Achieving best-in-class performance:

- Set a strategic direction to be among the best
- Ensure that each utility performs to the highest standards
- Drive for standardization and sharing of best practices

Philadelphia, Pennsylvania

PECO

- 2012 Revenues: \$3.2B
- Employees: ~2,400
- Electric customers: 1.6 million
- Gas customers: 0.5 million
- Service Territory: 2,100 square miles
- All-Time Peak Load: 8,983 MW

Competition Hasn't Decreased Our Utility Investments or Commitment to Safety and Reliability

(\$ in millions)

■ Gas Delivery
 ■ Electric Transmission
 ■ Smart Meter/Smart Grid
 ■ Electric Distribution

ComEd

PECO

BGE



Competition Has Enhanced Reliability

➤ New Competitive Generation Gets Built

- IL, PA and MD are members of PJM –the largest regional competitive power market
- Over half of PJM’s 13 states and D.C. have fully restructured to competitive retail electricity markets
- In the last 5 years alone, PJM has added over 26,000 MW of supply resources, net of retirements, and has a 20.3% Reserve Margin – significantly above the required 15%⁽²⁾
- PA, MD, and IL have collectively added over 25,000 MW of market driven supply resources since restructuring; with the risks on shareholders, not captive utility customers⁽³⁾

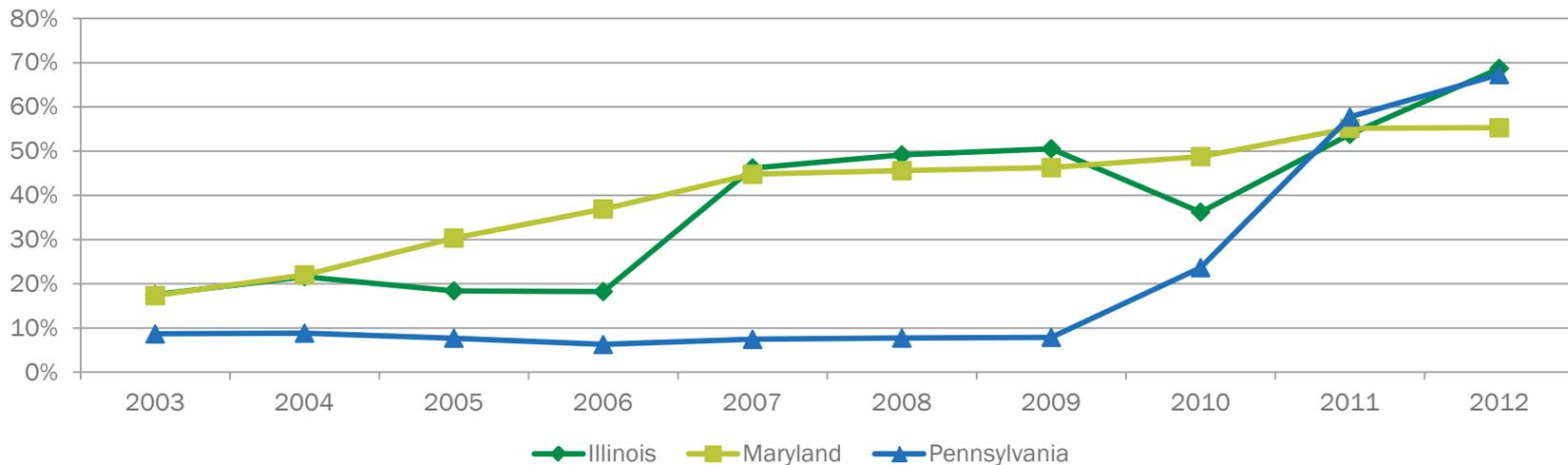
➤ Competition Significantly Increases Generation Efficiency and Output of Existing Plants

- Illinois’ nuclear plant capacity increased from 47% to 93% as a direct result of competition, effectively doubling the output of the states nuclear fleet at no cost to consumers ⁽⁴⁾
- The increased efficiency in PA’s generation fleet, after retail competition was introduced, is estimated to have saved consumers over \$122 million annually ⁽⁵⁾
- Plant operators in competitive markets have been shown to reduce labor and non-fuel expenses by 3-5% and 6-12% relative to investor-owned and government-owned plants ⁽⁶⁾
- Electric restructuring and choice has increased operational efficiency by 10%, substantially increasing production by 42 billion kWh valued at over \$2.5 billion ⁽⁷⁾

Exelon Utility Customers Are Exercising Their Right To Choose

➤ Customers Shopping ⁽⁸⁾

- Over **HALF** of all electricity used in MD, IL, and PA is provided by a competitive supplier
 - MD – 51%; IL – 61%; PA – 66%

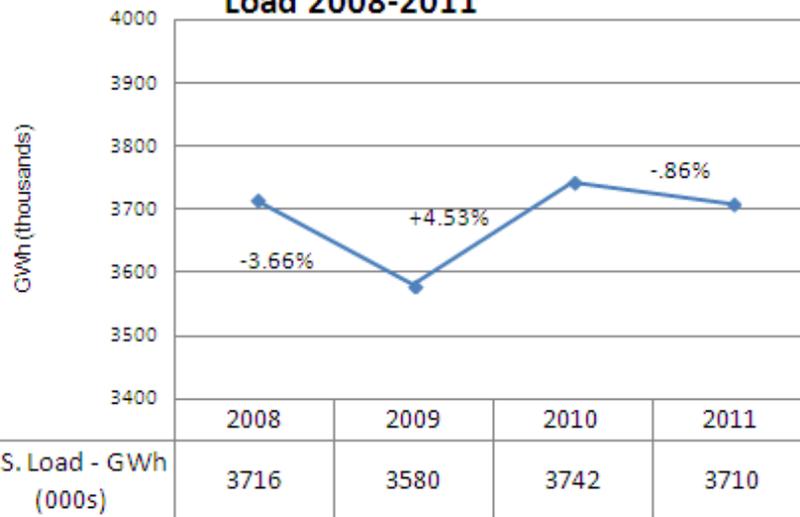


- Since rate caps expired, shopping in all three states has grown, including substantial increases in residential and small business customers switching to a competitive supplier
- Over 50 suppliers offering innovative, unique products tailored to customers' individual needs
- Over 100 different residential product offerings in Illinois, Maryland, and Pennsylvania alone

Shopping Trend Is Not Unique to Exelon Utilities

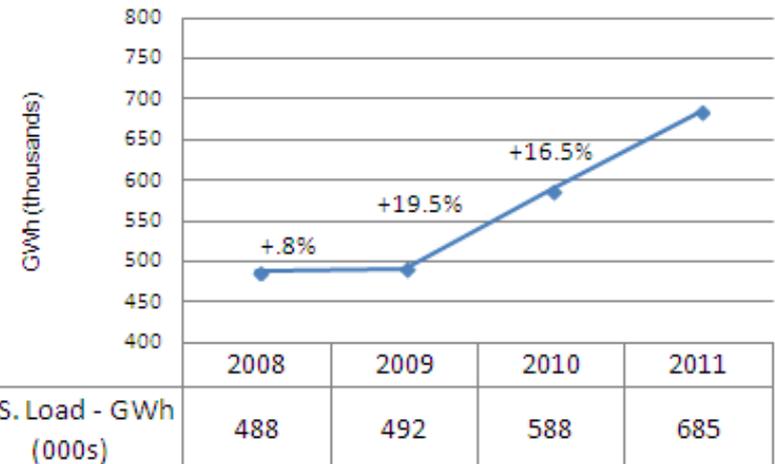
- The total electricity load served competitively across the nation has grown 40% since 2008, from 488 million MWh to 685 million MWh in 2011, an increase of nearly 200 million MWh ⁽⁹⁾
- Since 2008, customer accounts served under retail choice have grown by over 53% from 8.7 million to more than 13.3 million in 2011 ⁽⁹⁾

No Growth in Total Continental U.S. Electricity Load 2008-2011



Source: U.S. Energy Information Administration (EIA)

40% Growth in Retail Competitive Electricity Load (18 Jurisdictions) 2008-2011 (% year over year)



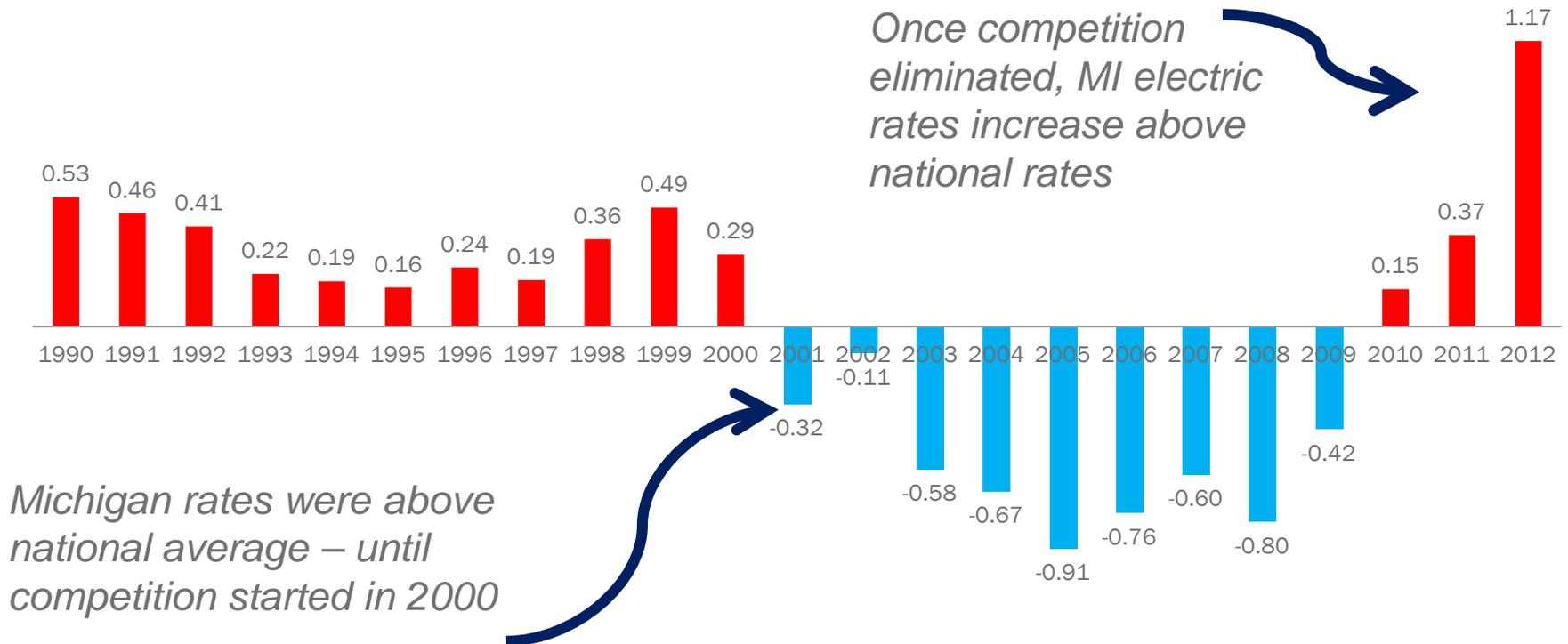
Source: KEMA Retail Energy Outlook, January 2012

Consumers In Competitive States Are Saving Money

- According to EIA data, prior to restructuring **Pennsylvania** average electricity rates were 15% above the national average and in February 2013 were **14% below the national average**
- In **Maryland**, competitive suppliers are offering **savings of up to 14%** off the utility supply rate⁽¹⁰⁾
- **Illinois** has seen estimated **electricity savings worth \$31 billion** for businesses, government, schools, hospitals and households as a result of restructuring and electric choice ⁽¹¹⁾
- While electricity prices nationally have risen an average 46% since 1997, **Illinois electricity rates** have risen only 17%, **about one-third the national pace and well below the rate of inflation** ⁽¹¹⁾
- Customers who chose to stay with their Exelon utility for electric supply benefit from competitive market pricing through **open, transparent competitive procurements for default service supply**
- Perhaps most importantly, the **lucky Michigan consumers** that were able to chose a competitive supplier before hitting the arbitrary 10% cap are estimated to have **saved over \$350 Million** ⁽¹²⁾
- The more than 10,000 **customers waiting in the queue** are estimated to be **LOSING** an estimated **\$170 Million a year** in reduced electricity costs ⁽¹²⁾
 - The **queue is just the tip of the iceberg**, representing *only* those customers who have affirmatively negotiated and signed contracts with competitive suppliers
 - As shopping statistics in other competitive states show, significantly more customers would shop if only given the **CHOICE**

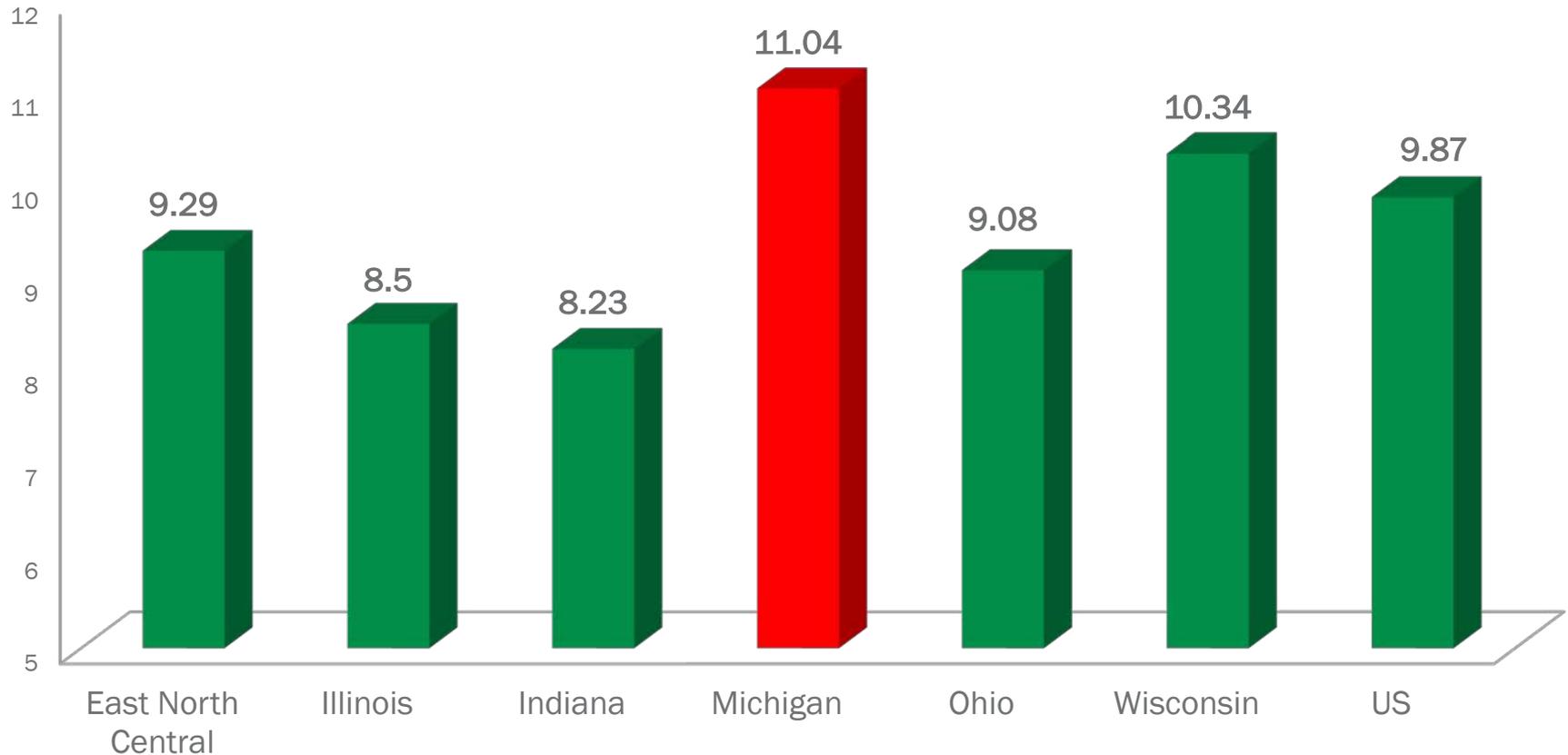
Michigan Rates Have Skyrocketed

Michigan rates compared to national rates, 1990 to present



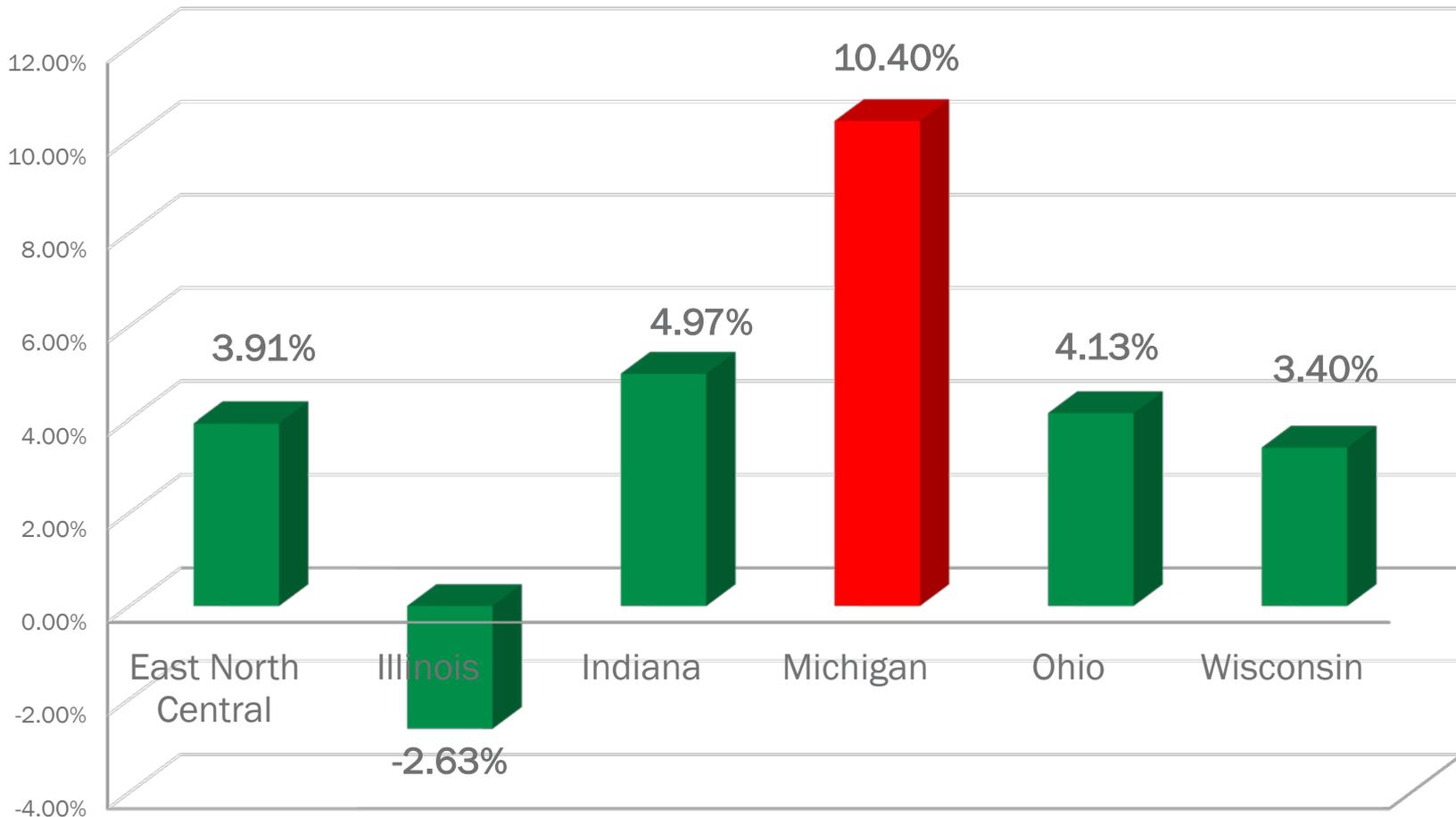
Data from U.S. Energy Information Administration

Michigan rates highest in Midwest, well above competitors like Ohio, Indiana and Illinois 11% above national average



*Year to date Dec. 2012 In cents/kWh
Source: US Energy Information Administration

All Sector rate change, 2008-2012



*All sector increases, comparing cents per kWh
Source: US Energy Information Administration

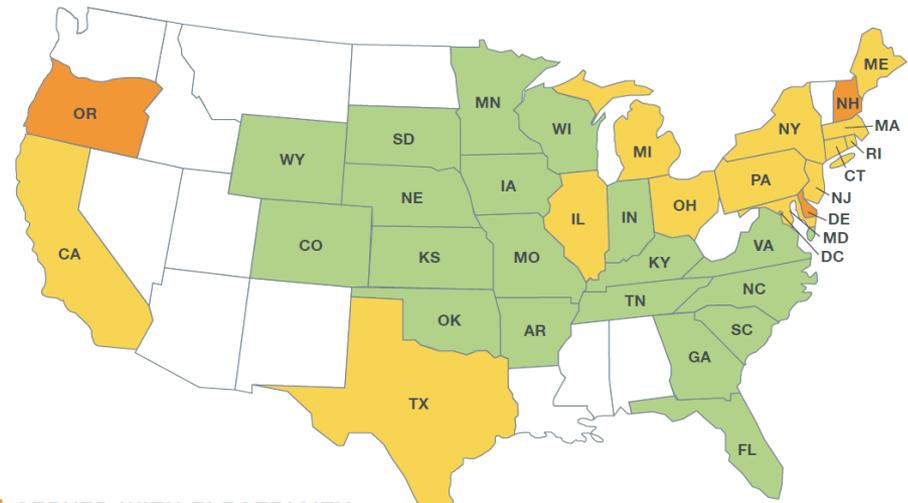
A Leading Provider of Energy Solutions



ConstellationSM

An Exelon Company

- **Natural Gas: 279 Bcf** delivered in open retail markets (2012)
- **Retail Power: 87TWh** peak load served (2012)
- **Load Response: 1,336 MW** of dispatchable load (2012)
- **Energy Efficiency: .4 GW** conserved by customers (2012)
- **Solar: 131 MW** of solar installations completed or under construction (2012)



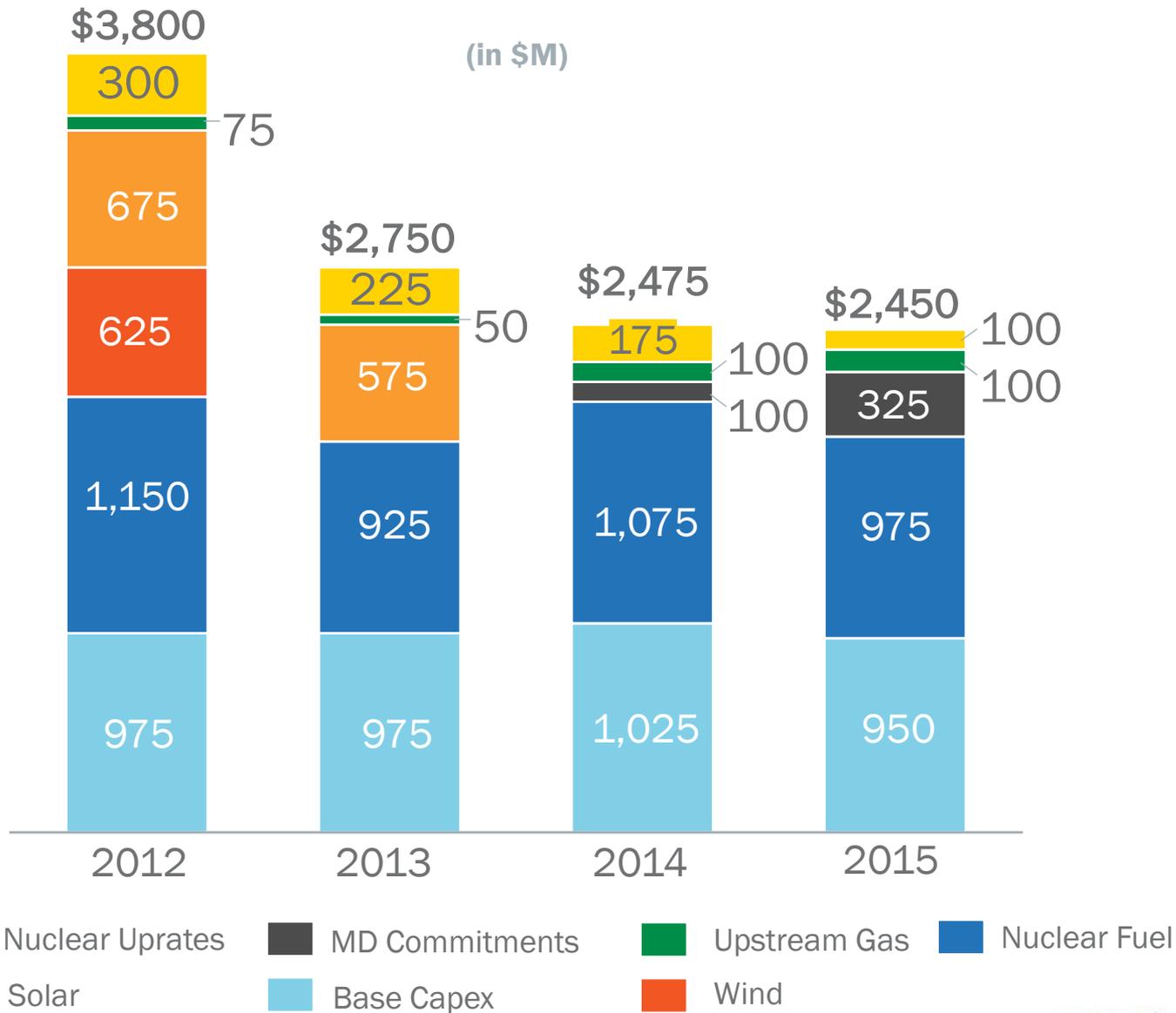
- SERVED WITH ELECTRICITY
- SERVED WITH NATURAL GAS
- SERVED WITH ELECTRICITY & NATURAL GAS

Trusted supplier to 2/3 of the Fortune 100

More than 100,000 C&I & Public Sector customers

More than 1 million Residential customers

Significant Investment in Generation Continues



Michigan Is NOT Different

- **Michigan's Investment in Distribution Infrastructure and New Technology is not impacted by Retail Competition**
 - Those are costs paid by all customers regardless of who they chose for electricity supply
- **Michigan's Investment in Existing Generation is Not Compromised by Retail Competition**
 - Competition doesn't decrease investment in generation, it just forces operators to invest smarter, competitively and transparently
 - Countless studies show that competition increases generator efficiency and output, enhancing reliability – with the risks being borne by shareholders
- **New Generation Will Get Built**
 - Significant new merchant generation has been built in restructured states, including MI, where the only MW added in the last 20 years were competitively built
- **Consumers Want Electric Choice**
 - The number of consumers exercising their right to shop for electricity has substantially grown since 2008 despite flat electricity demand
 - Nearly one out of every five kilowatt-hours of electricity is supplied by a competitive provider – even though choice is still denied in states representing 56% of total U.S. electricity load ⁽⁹⁾
 - Results of a statewide poll show MI consumers overwhelmingly favor electric competition with 72% of voters supporting a law allowing all customers to choose their electricity supplier

End Notes

1. Details about Exelon Corporation, its companies, assets, services, and financial information can be found on its corporate website at www.exeloncorp.com
2. PJM Presentations identifying historic and future reserve margins
<http://www.pjm.com/~media/markets-ops/rpm/rpm-auction-info/20120518-2015-16-base-residual-auction-report.ashx>
3. SNL Energy Data
4. John Rowe's presentation at the Gulf Coast Power Association
http://www.exeloncorp.com/assets/newsroom/speeches/docs/spch_Rowe_GulfCoastPowerAssoc.pdf
5. Bates White, LLC (2007) The Pennsylvania Electricity Restructuring Act: Economic Benefits and Regional Comparisons
http://www.epsa.org/forms/uploadFiles/7E2D00000039.filename.PA_Restructuring_-_Economic_Benefits_Feb2007.pdf
6. Fabrizio, K., Rose, N., and Wolfram, C. (2007) Do Markets Reduce Costs? Assessing the Impact of Regulatory Restructuring on U.S. Electric Generation Efficiency. American Economic Review <http://economics.mit.edu/files/1484>
7. Davis, L., and Wolfram, C. (2011) Deregulation, Consolidation, and Efficiency: Evidence from U.S. Nuclear Power. Center for the Study of Energy Markets http://ei.haas.berkeley.edu/pdf/working_papers/WP217.pdf
8. Distributed Energy Financial Group, LLC (2012) Annual Baseline Assessment of Choice in Canada and the United States
<http://www.competecoalition.com/files/ABACCUS-2012.pdf>
9. Dr. Philip O'Connor (2012) Retail Electric Choice: Proven, Growing, Sustainable
http://www.competecoalition.com/files/COMPETE_Coalition_2012_Report.pdf
10. <http://www.mdelectricity.org/pepco-electric-rates-set-to-increase-in-june/>
11. John L. Domagalski and Philip R. O'Connor (2013) Regulation & Relevancy: Assessing the Impact of Electricity Customer Choice
<http://www.competecoalition.com/files/O'Connor-Domagalski%20-1-17-13.pdf>
12. Dr. Jonathan Lesser, Continental Economics, Inc. (2012) Retail Electric Competition in Michigan: Growing Michigan's Economic Garden http://www.ecnstudy.com/Retail_Electric_Competition_in_Michigan_-_Final.pdf

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