

**The Greater Philadelphia Chapter of the Association of Energy Engineers
Newsletter
February 2006**

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EDITOR'S PAGE: EXELON UPDATE AND BREAKING NEWS

Exelon Corp. CEO John Rowe spoke at the Kellogg School 's Energy Management and General Management clubs on Jan. 19, before an audience of Kellogg students, faculty and staff. Exelon is one of the largest producers of nuclear energy in the United States and owns ComEd, which provides electricity to more than 3.3 million homes in northern Illinois. Many of Rowe's remarks focused on the delicate and often messy relationship between the energy industry and national and international politics. "I'll give you a little vignette on Kyoto which you can take for what it's worth," he said, then recounted his recent experience at a world summit on the subject. Almost unanimously, he said, representatives from nations that had pledged to adopt the standards condemned the United States for its refusal to participate, but they also said that it probably wouldn't make much of a difference, as they had no intention of meeting the standards either.

Rowe contended that the future of the industry in the United States and in the world will depend on many factors, not the least of which will be international cooperation. "I do not think the United States can afford to be the one country in the world not to go along with everybody else ... but I also think the rest of the world should dispense with its foolish rhetoric." Rowe said hypocrisy is not the only difficult reality in energy-industry politics. Another challenge he discussed in some detail was the near total absence of moderate opinions on energy policy. "The middle that you read about in the newspapers," he said, "is very small," and everyone else has an agenda. "It amuses me endlessly that while it is the right that is anti-scientific with respect to human biology issues, it is the left that is anti-scientific when it comes to animal and plant technology."

Policymakers on the right, he said, focus their legislative power entirely on the production of more energy without considering the potentially serious environmental consequences, whereas policymakers on the left — unwilling to entertain the possibility that their own policies may have serious economic consequences — are just as single-minded when it comes to preserving the environment. The result, he said, is a schizophrenic set of government standards subject to change every few years with the majority party in Congress. The implications for energy-industry leadership, he added, often include short-sighted investment strategies. "People are only willing to make short-term bets when public policy is only short-term." In contrast, Rowe said he believed the greatest hope for the industry and the energy-consuming public would be the adoption of a system that gradually reduced its growth rate while gradually increasing the price of energy, a somewhat unpopular opinion among the energy-producing elite. "In our business," Rowe observed, "I am generally thought to be a left-wing extremist." Following his talk, Rowe took questions from the audience. When one student asked what it takes to replace a coal-based power plant with a nuclear one, Rowe laughed. "Seventy-five Republican congressmen," he replied.

EXELON Corp merger with Public Service Enterprise Group was approved by the PUC unanimously and creates the nation's largest electric and gas utility. They are still working to win approval from the NJ state regulators and Federal Department of Justice to finalize the \$12 billion, all-stock deal for PSEG. A final decision is expected by May 15th.

The merger will bring together the largest utilities in New Jersey, Pennsylvania and Illinois providing electricity and gas to 9.7 million customers.

To settle objections to the merger, PECO pledged \$120 million in rate reductions in Pennsylvania through 2010 and made commitments to maintain electricity reliability, customer service and employment levels.

Liz Kimmel - Newsletter Editor

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GLOBALCON 2005

As a Globalcon 2006 exhibitor, we have an opportunity at **no cost** to you.

Globalcon will be featuring exhibit hall workshops. The workshops are to be conducted by selected Globalcon 2006 exhibitors and are intended to be non-commercial / non-political in nature, and targeted to showcase success stories, applications, problem solving, technology integration, and retrofit/new construction considerations.

The workshops are distinctly different from the fee-based Globalcon conference, and will be offered at no charge to exhibits-only visitors, conference attendees, invited end users, as well as exhibitor-invited guests. Each presentation will be 15-20 minutes (maximum) in duration.

If you are interested, please visit:

<https://www.aeacent.org/forms/form.html?id=194> to submit an abstract.

ENERGY NEWS

NEW ENGLAND

New England faces major near-term challenges in every piece of its energy infrastructure including natural gas facilities, electric transmission lines and power generation, says a new report from the New England Energy Alliance.

New England Coalition for Reliable Electricity (<http://www.NECORE.org>) called for local politicians and government officials to support the Locational Installed Capacity (LICAP) proposal as a solution to the state's energy crisis. Gov. Ruth Ann Minner said she'd await the recommendations of a Cabinet committee before offering legislative solutions to the expected rise in electricity costs.

News of double-digit electric rate increases in Connecticut is prompting some at the state Capitol to consider what, if anything, the legislature can do in the next session to soften the blow to rate-payers.

CALIFORNIA

California Public Utilities Commission (CPUC) approved the California Solar Initiative, a program to install 3,000 megawatts of solar on California homes, businesses, farms, schools and public facilities over 11 years

MARYLAND

Constellation Energy (NYSE: CEG) announced that its subsidiary, Constellation NewEnergy, named Joseph P. Zarella managing director of operations and Terry S. Harvill as vice president, regional regulatory and government affairs.

MIDWEST

Midwest Independent Transmission System Operator, Inc. (Midwest ISO) Board of Directors announced it has accepted the resignation of its president and Chief Executive Officer (CEO) James P. Torgerson. T. Graham Edwards, interim president and Chief Executive Officer (CEO Midwest ISO), said he is committed to providing "tangible benefits" to the organization's members and their customers.

TEXAS

TXU Electric Delivery Company, a subsidiary of TXU Corp. (NYSE: TXU), announced that it has agreed with a steering committee representing certain cities in Texas (Cities) served by TXU Electric Delivery to defer the filing of the company's system-wide rate case at the Public Utility Commission of Texas (PUC) to no later than June 30, 2008.

PENNSYLVANIA

James M. Seif, a PPL Corporation (NYSE: PPL) vice president for nearly five years, is resigning to serve as campaign manager for Bill Scranton, a Pennsylvania Republican gubernatorial candidate.

Power plants owned and operated by PPL Corporation generated 54.8 billion kilowatt-hours of electricity in 2005 - more than any year in the company's history, and the fourth straight year in which PPL plants set a generation record.

Governor Edward G. Rendell announced Pennsylvania is making investments to support clean energy projects that will create more than 1,000 permanent and temporary jobs.

With the price of a U.S. Postal Service first-class stamp rising to 39 cents Sunday, PECO customers can beat the increase by joining the growing number of people enrolled in the utility's e-Bill program and the Automatic Bill Payment Plan.

PPL Corporation (NYSE: PPL) announced that Matt Simmons, who has 17 years of auditing and accounting experience, is joining PPL as vice president and controller.

CHICAGO

Exelon Corp. reported a fourth-quarter net loss of \$844 million consolidated loss prepared in accordance with GAAP or \$1.26 per share, as compared with earnings of \$363 million, or \$0.54 per diluted share, in the fourth quarter of 2004. The per-share loss was \$1.26. A year ago, the Chicago-based utility holding company posted net income of \$363 million, or 54 cents a share. Revenue in the most recent period rose 16 percent, to \$3.84 billion.


ComEd is at a critical crossroad and could file bankruptcy as early as this year if its proposed auction plan isn't approved by state regulators, Chairman and Chief Executive Officer Frank Clark said. Meanwhile the Board of Directors of Exelon Corporation declared a regular quarterly dividend of \$0.40 per share on Exelon's common stock. The results included costs of \$1.21 billion, or \$1.81 a share, to write down ComEd's value after a review conducted as part of a transition to a competitive power market in Illinois. Excluding adjustments, Exelon said its per-share profit rose to 72 cents a share from 62 cents a year ago. "The write down may be seen by the market as positive because there have been complaints for some time that Exelon had been carrying too much goodwill on its books for Commonwealth Edison." The write down more accurately reflects ComEd's value, said Exelon Chief

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<p>GLOBALCON Corporate Leader Sponsorships:</p> <p>Philadelphia Marriott March 29-30 2006 Sponsorship Opportunities:</p> <p>Platinum - \$10,000 (30 registrations and 100 reduced rate registrations)</p> <p>Gold - \$7,500 (15 registrations and 100 reduced rate registrations)</p> <p>Silver - \$5000 (10 registrations and 100 reduced rate registrations)</p> <p>Bronze - \$2,500 3 registrations and 100 reduced rate registrations)</p> <p>Other sponsors:</p> <p>Opening Session \$1,500 -Coffee Break Sponsor</p> <p>Exhibit Hall - \$1,500 Coffee Service Sponsor</p> <p>Conference Attendee Reception Sponsor (\$5000 or \$10,000) Daily Conference Attendee Luncheon Sponsor Contact Lauren Lake at: 770 447 5083, Ext 211; Lauren@aeecenter.org</p>	<p>Executive John Rowe. He said federal regulators have urged more accurate valuation of electric utilities, and that a change in accounting rules also prompted the move. "The goodwill write down at this time reflects that ComEd is a much smaller company going forward," Rowe said. ComEd no longer generates electricity and only delivers power to customers. The write down was prompted partly by concern that Illinois regulators won't allow it to recover costs for power purchases or improvements made during a rate freeze. Electricity rates in Illinois have been frozen for nine years. Shares of Exelon recently lost \$1.02, to \$57.84, on the New York Stock Exchange.</p> <p>OTHER</p> <p>British Nuclear Fuels plc (BNFL) announced that it has selected Toshiba Corporation, the highest bidder, as the preferred bidder for the sale of Westinghouse Electric Company.</p> <p>U.S. wind energy industry easily broke earlier annual installed capacity records in 2005, installing nearly 2,500 megawatts (MW) or over \$3 billion worth of new generating equipment in 22 states, according to the Washington, D.C.-based American Wind Energy Association (AWEA).</p> <p>Honeywell (NYSE:HON) announced a \$9.2 million contract with Itron, Inc. (NASDAQ:ITRI) to provide installation services for a portion of Itron's contract with Progress Energy (NYSE:PGN).</p> <p>Interstate Power and Light Company (IP&L), a subsidiary of Alliant Energy Corporation (NYSE: LNT) and FPL Energy LLC, a subsidiary of FPL Group, Inc. (NYSE: FPL) announced that the companies received affirmative regulatory decisions regarding the sale of the Duane Arnold Energy Center (DAEC), its nuclear generating facility located near Palo, Iowa.</p> <p>GE Energy Financial Services announced that it has provided cash flow-based senior debt financing to support the acquisition of NORESKO, one of the largest providers of energy management and performance contracting services in the United States, by an investor group led by GFI Energy Ventures LLC.</p> <p>Southern Company has been named among the top 10 best managed utilities by Forbes magazine. It's the fourth year the company has made the Forbes' list.</p> <p>A consortium of government agencies, public schools, libraries and universities in the Baltimore area are forming a power purchasing cooperative to buy electricity in the fast-moving wholesale market in a bid to cut soaring energy costs,</p> <p>Constellation Energy (NYSE: CEG) announced that its subsidiary, Constellation Energy Projects & Services Group, has been recognized with a prestigious award by the National Council for Public-Private Partnerships for its successful partnership with the City of Nashville in development of a new district energy system.</p>
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The AEE Greater Philadelphia Chapter 2004-2005 Meeting Schedule

Date	Time	Lunch Location	Meeting Location	Topic	Host/Co-Host
Thursday 1/19/06	12:00- 2:00	Drexel	Drexel	Alternate Energy Program and Energy Manager Career Discussion (Randy)	Jim Harven, Hans Green Steve Goldberg
2/23/06	3:30- 8:00	TJU Alumni Hall	TJU Alumni Hall	Product Fair	AEE TEAM
Wednesday and Thursday 3/29-3/30	All day	Convention Center	Convention Center Philadelphia	GLOBALCON	Liz and Dan
Thursday 4/27/06	3:30- 8:00	McCall Field	McCall Field	Deregulation/Energy Update	Steve G and Mike
Thursday 5/25/06	10:00- 2:00	Harrisburg ?	Harrisburg ?	Fuel Cell Leeds Bldg	Jim Harven Randy Haines
Thursday 6/22/06	8:00- 4:00	Mainland	Mainland CC	Golf Tourney	Steve Siddal, John, Lou
July/August			NO MEETINGS		

Members are welcome to place ads in the Newsletter:
(215) 684-6725: john.zuk@pgworks.com
Business card: \$75.00 a year /\$90 non-members.
Newsletter is a great way to advertise!

FUTURE CITY GEARS UP FOR 2005 – 2006

The Philadelphia Regional Future City Competition is actively seeking volunteers for this year’s program. The program offers 7th and 8th grade students the opportunity to work with their teacher and a practicing engineer mentor. The Regional Competition will be held in January at Villanova. The winning team will represent the Philadelphia region at the national competition in February. Why not volunteer for this exciting program? It will give you an opportunity to share your engineering expertise with middle school students and you will have a lot of fun. Sign up on-line at www.futurecityphilly.org Call or e-mail Jennifer Wetzel, the Volunteer Coordinator, at 215-573-3935
volunteer@futurecityphilly.org.