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June 23, 2005

VIA FED EX

James McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

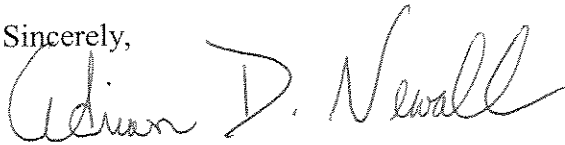
**RE: Implementation of the Alternative Energy Portfolio Standards Act of 2004
Docket No. M-00051865**

Dear Secretary McNulty:

Enclosed is an original and fifteen copies of Exelon Corporation Comments Regarding the Pennsylvania Public Utility Commission's Implementation Order.

If additional information is needed about this matter, please contact me directly at 215-841-5974. Thank you for your assistance.

Sincerely,



Adrian D. Newall
Assistant General Counsel

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Enclosure

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of the Alternative : Docket No. M-00051865
Energy Portfolio Standards :
Act of 2004 :

REPLY COMMENTS OF EXELON CORPORATION
REGARDING THE PENNSYLVANIA PUBLIC UTILITY COMMISSION'S
IMPLEMENTATION ORDER

PECO Energy Company ("PECO") and Exelon Generation Company, LLC (collectively, "Exelon") hereby submit these reply comments with regard to the Pennsylvania Public Utility Commission's (the "Commission") *Implementation Order*, entered March 25, 2005 in the above referenced docket ("Implementation Order") as well as in response to the Initial Comments filed by interested parties.

I. INTRODUCTION

By Order dated March 25, 2005, the Commission issued its Implementation Order regarding the Alternative Energy Portfolio Standards Act of 2004 ("Act 213") and invited interested parties to comment on the topics discussed therein. On May 24, 2005, Exelon submitted its initial comments regarding certain areas of interest related to the Commission's Implementation Order as well as to Act 213. Exelon hereby submits additional comments on topics raised by other parties.

II. DISCUSSION

A. Alternative Energy Credit Market

The Office of Small Business Advocate ("OSBA") suggests in its Comments that projects that are financed at least in part by a tax credit or other subsidy should offset any alternative energy credit ("AEC") sales by a certain percentage. OSBA states that these projects should offset the amount they receive for sales of AECs by the percentage of the project that is financed by taxpayers and/or ratepayers to avoid unjust enrichment. OSBA Comments, pp. 3-4.

Exelon believes that this suggestion is problematic and could ultimately render many projects that are eligible to sell AECs uneconomic. Many of the projects that will create AECs are likely to be funded at least in part by the energy production tax credit, a federal subsidy that currently provides a \$19 per megawatt-hour (escalating at the GDP inflator) benefit for the first ten years of a facility's operation. If the value of the AECs generated by these projects had to

be reduced by the production tax credit, it is probable that the seller will lose money. The subsidies received by alternative energy projects are directly reflected in the power purchase price for the products generated by the alternative energy projects, including the AECs. If the Commission were to permit an offset, it would negate the impact of the tax subsidy on the power purchase price, creating a significant obstacle to new construction. Exelon encourages the Commission to allow the AEC market to set the credit price and not allow any offsets.

The Pennsylvania Environmental Council (“PEC”) is concerned that the AEC market will have a negative effect on the NO_x, SO_x and the developing CO₂ markets. The PEC claims that the sale of bundled credits, which they argue would include other renewable attributes, would transfer all environmental claims from the generator to the purchaser. PEC Comments, p. 1.

Exelon does not believe that there is any link between the renewable energy credit market currently in existence and the NO_x and SO_x markets. The market has resisted unbundling credits and doing so would add unnecessary complexity to all AEC transactions. Exelon believes that the development of the AEC market will not have any effect on the other environmental markets. Exelon urges the Commission to allow AECs to be traded as a bundled commodity in order to foster the development of a robust market.

B. Banking of Alternative Energy Credits

In its Comments, the Pennsylvania Department of Environmental Protection (“DEP”) recommends that the Commission clarify language in its

Implementation Order involving the banking of AECs. DEP suggests that Act 213 intended to permit EDCs and EGSs to bank all credits from alternative sources earned during their exemption period, not only the excess credits of their would-be requirement. DEP Comments, p. 1. Exelon agrees with the DEP and believes that their reading of Act 213 is correct. The intent of the legislation is for EDCs and EGSs to be able to bank all credits obtained during the voluntary period, not only the surplus credits. The Commission must support this interpretation of Act 213 in order to encourage banking by EDCs and EGSs, which will in turn encourage the development of alternative energy resources. Exelon requests that the Commission clarify the language in its Implementation Order that may appear to be contradictory to this overriding goal.

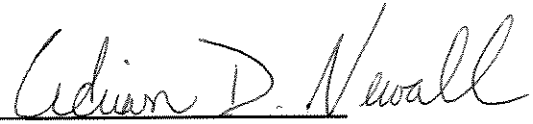
C. Force Majeure

Several parties raised the important issue of Force Majeure in their Initial Comments. Exelon agrees that this issue is integral to the establishment of a successful AEC market. There must be an objective standard for the administrator of the AEC market to rely on in order to determine whether or not Force Majeure conditions exist. Exelon suggests that the AEPS Working Group be charged with devising such a standard. Exelon believes that there are several difference standards that may be utilized. For example, a percentage cap on retail rates could be established and if the AEC prices exceed the cap, the force majeure provision would be triggered. Exelon recommends that the Commission mandate that the AEPS Working Group take this issue under advisement.

III. CONCLUSION

Once again Exelon would like to take this opportunity to commend the Commission for its efforts with regard to the implementation of Act 213. Exelon commits to continue to aid the Commission in this implementation process.

Respectfully submitted,

A handwritten signature in cursive script that reads "Adrian D. Newall". The signature is written in black ink and is positioned above a horizontal line.

Adrian D. Newall
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Dated: June 23, 2005.